Advanced Medical Solutions Group plc

Annual Report 2018

Inside this report

[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 £0.4 million (2017: £nil) and amortisation of acquired intangible assets which were £0.1 million (2017: £0.1 million) as defined in the Financial Review

[3] Net cash is defined as cash and cash equivalents plus short-term investments less financial liabilities and bank loans

[4] Data supplied by Global Healthcare Exchange

Highlights 2018

Financial highlights

Group revenue (£ million)
£102.6m
2017: £96.9m
Reported growth: 6%
(7% at constant currency)[1]

Adjusted[2] operating margin (%)
28.0%
2017: 26.2%
Reported growth: 180bps

Adjusted[2] profit before tax (£ million)
£28.9m
2017: £25.4m
Reported growth: 14%

Profit before tax (£ million)
£28.4m
2017: £25.3m
Reported growth: 12%

Adjusted[2] diluted earnings per share (p)
10.71p
2017: 9.46p
Reported growth: 13%

Diluted earnings per share (p)
10.48p
2017: 9.39p
Reported growth: 12%

Net cash flow from operating activities
£20.4m
2017: £17.0m
Reported growth: 20%

Net cash[3] (£ million)
£76.4m
2017: £62.5m
Reported growth: 22%

Proposed final dividend of 0.90p per share, making a total dividend for the year of 1.32p per share (2017: 1.10p), up 20%.

Business highlights

- Revenues up 6% to £102.6 million and by 7% at constant currency
  - → Branded revenues up 12% to £62.1 million (2017: £55.2 million) and by 13% at constant currency
  - → OEM revenues down 3% to £40.5 million (2017: £41.7 million) and by 2% at constant currency
- Another strong performance from LiquiBand® topical tissue adhesives, sales up 22% to £31.7 million (2017: £26.0 million) and by 24% at constant currency
  - → US revenues up 26% to £23.0 million (2017: £18.2 million) and by 30% at constant currency
  - → During the year, market share by volume[4] increased by 2%
- Strong growth in Internal Adhesives, following the relaunch of LiquiBand® Fix 8™ laparoscopic in Q2 and the soft launch of the open device in Q4. Sales increased 21% to £2.1 million (2017: £1.7 million) and by 21% at constant currency
- Biosurgical devices up 8% to £8.6 million (2017: £8.0 million) and by 7% at constant currency
- Sales of sutures were impacted by regulatory challenges, up 2% to £13.3 million (2017: £13.1 million) and by 1% at constant currency
- Antimicrobial dressings up 1% to £19.6 million (2017: £19.4 million) and by 2% at constant currency

Advanced Medical Solutions is a world-leading independent developer and manufacturer of innovative and technologically advanced products for the global surgical and woundcare markets.

Our Strategic Pillars are the foundation of future success:

Growth
Exploiting the opportunities of having a broad product range sold via multiple routes to market and across multiple geographies

Innovation
Strengthening our portfolio by developing or acquiring market leading high quality products

Operational Excellence
Engaging a culture of continuous improvement to drive out cost and defend margin

Culture
Investing in hiring and developing talent while embedding our Culture of Care, Fair, Dare

See pages 4 to 5

We operate to the highest ethical standards with our values of Care, Fair, Dare embedded in all we do.

Care
Caring about the work we undertake and the real life differences we can make

Fair
Acting with integrity and ensuring we are fair in all aspects of business

Dare
Moving boundaries and challenging constructively to build on others' ideas

Group at a Glance

Our business

The Group

Group sales

£102.6m

Employees

>600

Countries

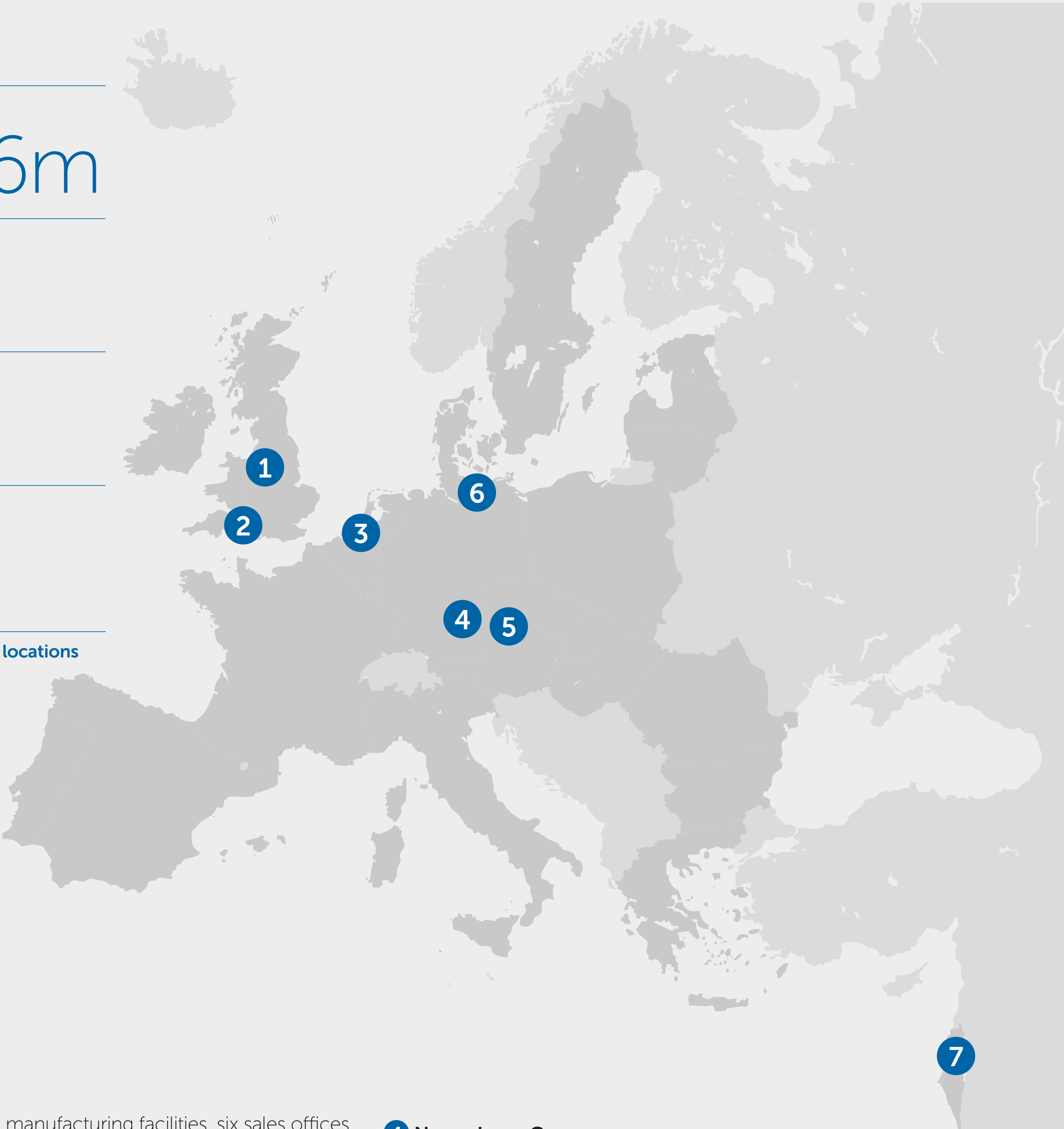
75

Distribution partners

>100

Manufacturing and R&D locations

7



The AMS Group has six manufacturing facilities, six sales offices in Europe, a sales office in Russia, an innovation centre in Israel, and a sales team operating in the United States. The Group's headquarters are located in the UK.

1 **Winsford, UK: HQ:**
Advanced Wound Care manufacturing, R&D, Sales & Marketing

2 **Plymouth, UK:**
Tissue adhesives manufacturing, R&D, Sales & Marketing

3 **Etten Leur, the Netherlands:**
Bulk foam roll-stock manufacturing, Sales & Marketing

4 **Nuremberg, Germany:**
RESORBA® Collagen and Haemostats manufacturing, R&D, Sales & Marketing

5 **Domazlice, the Czech Republic:**
RESORBA® Sutures manufacturing & Sales

6 **Neustadt, Germany:**
RESORBA® Sutures manufacturing

7 **Haifa, Israel:**
Sealantis® internal sealants, R&D

Business Units in 2018

Branded (Surgical)

Branded reported in four segments – Advanced Closure, Internal Fixation and Sealants, Traditional Closure and Biosurgical Devices.

Branded sales

£62.1m*

2017: £55.2m

* up 12% and 13% at constant currency

LiquiBand® sales

£31.7m*

2017: £26.0m

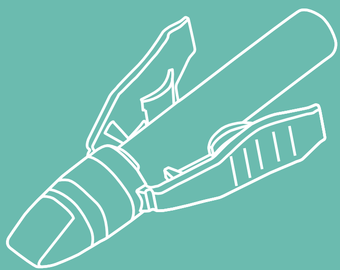
* up 22% and 24% at constant currency

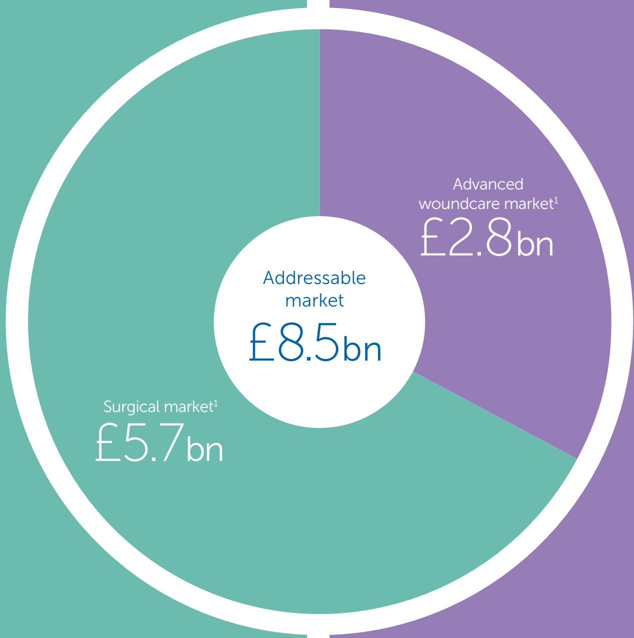
Our Surgical technologies

- Collagen
- Cyanoacrylates
- Oxidised cellulose
- Sutures
- Internal fixation

Our brands

- LiquiBand®
- RESORBA®
- LiquiBand Fix8®
- ActivHeal®





OEM (Woundcare)

OEM reported in three segments – Infection Management, Exudate Management and Other Woundcare.

OEM sales

£40.5m*

2017: £41.7m

* down 3% and 2% at constant currency

Infection management

£19.6m*

2017: £19.4m

* up 1% and 2% at constant currency

Our Woundcare technologies

- Alginates
- Foams
- Hydrocolloid
- Hydrogels

In 2019 ActivHeal® (2018: £6.3m sales) will be incorporated into OEM and will allow a more market focused approach, along with commercial and R&D synergies.

Business Units realigned in 2019

In 2019 we renamed our Business Units from Branded and OEM to Surgical and Woundcare respectively. We believe this better reflects the nature of the business. ActivHeal® will be incorporated into Woundcare.

Our Surgical Business Unit will include the sales, marketing, research, development and innovation of all our surgical products.

Our Woundcare Business Unit will include sales, marketing, research, development and innovation of all woundcare devices, regardless of whether they are sold under an AMS or a partner brand.

[1] Based on data supplied by the Global Healthcare Exchange and IMS Health.

Our core focus areas for ongoing success

To sustainably grow our medical device business organically and via acquisition, increase customer satisfaction, focusing on productivity, innovation, business continuity and Health and Safety, living our Company culture through our Care, Fair, Dare values, valuing our employees and being good corporate citizens.

Growth

Our growth strategy is to exploit opportunities from multiple routes to market across multiple geographies with our diverse portfolio of innovative surgical and woundcare products, which add value to patients and payors and deliver equal or better clinical performance.

How we are going to achieve it

- **Market share gains:** Continue to increase market share of our key products, particularly in large medical device markets like the US, by demonstrating strong combination of high quality products delivering improved performance and value for money versus competitors
- **New products:** Launch new products in line with our core strategic areas and deliver at least two new product launches each year from each of our development centres
- **New markets/entry:** To continually succeed in getting product approvals in new geographies and open up additional selling opportunities and market partners
- **M&A:** Identify targets and deliver acquisitions with break through innovations which provide value for shareholders. The acquisitions should provide products or technologies enabling the leveraging of the Woundcare customer base or surgical routes to market, or surgically focused companies with strong product synergies
- **Global approvals:** Leverage our Regulatory expertise to take advantage of higher barriers to entry for new products and new markets, and maximise opportunities arising from competing products not being renewed in specific markets

What we have achieved in the year

- Strong performance from LiquiBand® topical adhesives and strong growth in Internal Adhesives following the relaunch of LiquiBand® Fix8™ Laparoscopic in Q2 and the soft launch of the open hernia device in Q4
- Launched LiquiBand® Exceed mini device in US and LiquiBand® Fix8™ for open hernia surgery in the EU (Surgical) and new patented silver post-operative dressing, premium PHMB foam range and Lite foam product range into the US (Woundcare)
- Expansion of woundcare into Latin America after successful regulatory approval in Brazil
- Acquisition of Sealantis (internal sealants) for $25m (approx. £19m) in cash with royalties due on product sales until 2027
- Regulatory process for newly-developed large wound device progressing in US. US approval process for LiquiBand® Fix8™ underway

How we are measuring success

- Revenue growth at constant currency (%)
- Adjusted diluted earnings per share growth (%)

See pages 18 to 19 for our KPI performance

Innovation

We aim to continue to strengthen our portfolio by developing or acquiring high quality products that allow us or our partners to make market share gains in high value segments. We invest in hiring and developing talent capable of delivering innovation for the business.

How we are going to achieve it

- **Expert Key Opinion Leader Panels:** Establish Key Opinion Leader panels to provide expert input into innovation process and exchange information to ensure our innovation output meets clinical needs
- **University linkage:** Partner with universities to drive innovation and exchange ideas, knowledge and resources
- **Centres of Excellence:** Establish Centres of Excellence for Innovation and ensure resources and ideas from across the Group are better utilised
- **Investment in innovation (People and Processes):** More centralised resources from across the Group to drive innovation. Streamline processes to maximise output from innovation resources. Ensure that best practice and standard processes are implemented across the Group. Increase spend on R&D aligned to increased output of innovation projects. Utilise knowledge and implement learnings from acquisitions

What we have achieved in the year

- Engaged surgeons to drive clinical evidence across multiple products and start work to expand product claims on leading products
- Worked with a number of Tissue Viability Nurses to develop our Woundcare range and provide clinical evidence to support the use of our products across hospital and home care settings
- Entered into agreements with a number of universities to help develop products, increase innovation, and exchange resources both in terms of equipment and people
- Acquisition of Sealantis provides AMS with an innovation Centre of Excellence which the Group can build on, with expertise in internal sealants and resource which can be utilised to develop products and technologies from other areas of the business
- Restructure of reporting lines in R&D to ensure expertise is leveraged from key areas. Communication and implementation of key processes from most effective R&D functions

How we are measuring success

- % of revenue spend on R&D & Innovation
- % of sales from new products launched in the previous five years

See pages 18 to 19 for our KPI performance

Key to strategic linkage in this report

Growth	Operational Excellence
Innovation	Culture

Operational Excellence

Through a strategy that begins with focusing on what our customers need and value, we will drive a culture of engagement and continuous improvement that will enable lower operational risk, lower operating costs, and increased revenues. This will allow us to continue to drive out cost and defend margin.

How we are going to achieve it

- **Continuous improvement:** Establish strong foundations and implement a culture of Continuous Improvement deploying an appropriate balance of Lean and Six Sigma techniques across all areas of AMS
- **Investment:** Invest in organisation and capabilities/systems that will support future growth and develop our people
- **Customer satisfaction/OTIF:** Improve customer satisfaction and productivity
- **Plan for Success:** Design and deliver an optimal manufacturing footprint strategy to support future growth and optimise our supply chain
- **Compliance:** Increase Quality and Regulatory capabilities to allow us to meet the ever-increasing requirements across the world which are being driven by stricter standards, including the Medical Device Regulation (MDR)

What we have achieved in the year

- Investment in our quality and regulatory teams to ensure success in an ever-challenging regulatory environment which is being driven by the Medical Device Regulation
- Investment in packaging capacity/capability across both Business Units
- Established a robust and consistent set of KPI's across Operations & Quality, Regulatory and Clinical (QARAC)
- Developed five year strategies for each site

How we are measuring success

- Customer Service (OTIF – On Time in Full) (%)
- Year-over-year change of our standard cost base (%)

+ See pages 18 to 19 for our KPI performance

Culture

Our employees drive the success of AMS. We actively promote our Care, Fair, Dare culture and measure our employees' engagement in our Culture. We encourage internal promotion of employees on a global basis and have invested in apprenticeship programmes to build future talent for our business.

How we are going to achieve it

We achieve a positive Culture in our business by focusing on Care, Fair, Dare and implementing our five point plan:

- **Talent Attraction –** Our business requires highly skilled teams to bring innovative products to market ahead of our competition. We are committed to attracting the right talent with the correct remuneration and benefits
- **Talent Management –** Developing and retaining talent allows us to build skills to maintain an innovations culture and retain knowledge within our business
- **Values and Behaviours –** Care, Fair, Dare provides a cultural framework to nurture the ways in which we interact and achieve success as a team
- **Open Communication –** Listening to all views, taking feedback and pro-actively providing information allow us to remain agile and customer centric
- **Health and Safety –** maintaining the highest levels of health and safety within our business ensures employees feel safe and secure within the working environment

What we have achieved in the year

- Development of an electronic manpower planning and talent acquisition tool to allow greater direct recruitment into the business
- Conducted a talent review, identifying high potentials within the business and focusing on talent paths. Identified enhancements to the talent review process for 2019 and beyond
- Developed a Regulatory Career path in the business, to nurture talent in this vital area
- All employees attended cultural workshops, focusing on developing action plans to embed Care, Fair, Dare into their teams
- Introduced One AMS (Group Quality Management System) to further integrate the Group and embed the AMS culture
- Introduced an electronic system to openly ask the Senior Management Team questions

How we are measuring success

- Staff Retention/Turnover (%)
- Employee Engagement Score (%)

+ See pages 18 to 19 for our KPI performance

Creating quality outcomes across Branded and OEM

Our Value Chain

New Product Development

Research and development

Design and testing

What resources and relationships we rely on:

- 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
- R&D Centre of Excellence from Sealantis acquisition

Marketing and Regulatory Approval

Bringing products to market

Regulatory approval in key markets

What resources and relationships we rely on:

- Strong regulatory affairs department with world-wide regulatory experience
- Extensive experience of managing successful audits (FDA, MDSAP) and managing recertification to comply with the Medical Device Regulation
- Regulatory registrations in over 75 countries
- Clinical support teams supporting both product development and post market surveillance

Operations

Manufacturing and security of supply

Quality assurance

What resources and relationships we rely on:

- 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)
- Strong relationships with our supply chain

Our Markets and Products

Branded

- Surgical market is £5.7bn
- Products include LiquiBand® medical adhesives, LiquiBand® Fix8® internal adhesive and RESORBA® sutures, collagens and haemostats
- Will incorporate Sealantis internal sealants from 2019

2018 sales: £62.1m

OEM

- Woundcare market is £2.8bn
- Products include alginates, hydrogels, hydrocolloids, antimicrobial dressings, film and foams
- ActivHeal® range of advanced woundcare products

2018 sales: £40.5m

Reporting in 2019

As of 2019, we will be reporting our divisional performance by Surgical and Woundcare to reflect our core markets.

Our Routes to Market

AMS or Partner Sales Team

- 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® will be transferred from Branded (Surgical) to OEM (Woundcare) in 2019

For more information see pages 20 to 21

Third-party

- Sales of finished products and bulk materials to our medical device partners.
- Global advanced woundcare customer base
- Convertors, packers

For more information see pages 22 to 23

Outcomes

Quality outcomes for patients

Value for payors

Solid financial position

Long-term value for shareholders

The Group continues to be in robust financial health

"The Group continues to be in robust financial health and is well positioned to further increase our commitment to innovation, both internally through further investment and externally by actively pursuing acquisition opportunities, as evidenced by the recent acquisition of Sealantis."

Peter Allen
Chairman

Overview

This has been another good year for the Group and we continue to progress as a leading, international provider of high quality, high value, innovative and technologically advanced products for the surgical and advanced woundcare markets.

Strategy

During 2018 our strategy has evolved to overcome changing market dynamics. With a focus on our strategic pillars of Growth, Innovation, Operational Excellence and Culture, we continue to provide high quality products with benefits to both patients and payors. Our acquisition of Sealantis adds significant growth potential in the internal sealants market and underlines our increasing commitment to innovation.

Board changes

As announced at our AGM in June 2018, Mary Tavener retired from the roles of Chief Financial Officer and Board Director on 31 December 2018 and Eddie Johnson, who has been with AMS for seven years, as Group Financial Controller, assumed the role of Chief Financial Officer and joined the Board on 1 January 2019. We would like to thank Mary for her 19 years of dedicated and outstanding service to AMS. In her time with the Group, she has been integral to our listing on AIM, several acquisitions and this has culminated in AMS growing for 17 consecutive years.

We are also pleased that in November 2018 Alan Richardson joined the Group as Chief Operations Officer from Convatec. Alan has assumed responsibility for our Group Operations, Quality and Regulatory functions and brings with him a wealth of experience.

Dividend

The Board is proposing a final dividend of 0.90p per share, to be paid on 14 June 2019 to shareholders on the register at the close of business on 24 May 2019. This follows the interim dividend of 0.42p per share paid on 26 October 2018 and would, if approved, make a total dividend for the year of 1.32p per share (2017: 1.10p), an increase of 20%.

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.

AMS continues to be in robust financial health and is well positioned to take advantage of market opportunities across our product portfolio and invest in both internal and external opportunities in line with the Group's long-term strategy and growth objectives.

Peter Allen
Chairman
18 April 2019

The Board remains confident about our growth prospects

With our new product launches strengthening the Group's portfolio, the opportunities from our R&D pipeline and our ability to navigate the increasingly challenging regulatory environment and capitalise on opportunities arising, the Board remains confident about our growth prospects."

Chris Meredith
Chief Executive Officer

The Group had another strong performance in 2018. The acquisition of Sealantis enables AMS to grow into the US$1 billion internal sealants market.

We implemented our new Business Unit structure in January 2019. We believe this change along with the introduction of our new strategic pillars will help to evolve our organisation and evolve our organisation, further improve our efficiency and adapt to changing market dynamics.

Revenue

+6%

+7%*

to £102.6m
(2017: £96.9m)

* at constant currency[1]

Adjusted[2] profit before tax

+14%

to £28.9m
(2017: £25.4m)

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

[2] All items are shown before amortisation of acquired intangible assets which in 2018, was £0.1 million (2017: £0.1m) as defined in the financial review and before exceptional costs which were £0.4 million (2017: £Nil million).

Q: How has the Group performed during 2018?

A: I am pleased we have delivered another good year for the Group with progress on a number of fronts. Whilst revenue increased by 7% at constant currency, which is really positive, we are particularly pleased by the fact that we strengthened our product portfolio in both Business Units with four key launches in Q4: LiquiBand® Fix 8™ Open (EU), LiquiBand® Exceed Mini (US), Silver Post-Operative Dressing (US) and Antimicrobial PHMB Foam Dressing (US). Both of our Business Units continue to provide meaningful opportunities for us and perform well, in particular the Branded (Surgical) Business Unit where sales increased strongly by 12% to £62.1 million and by 13% at constant currency, underlying the potential for our products in the global surgical market and with LiquiBand contributing £31.7 million of sales, 24% growth at constant currency.

With our Business Unit changes we have taken steps to better commercialise opportunities within woundcare and with the refinements made to organisation and strategy we have made great progress in the year towards ensuring we have the correct platform for growth and success in the years ahead.

Subsequent to year-end, AMS announced the acquisition of Sealantis Limited which has brought a pipeline of significant products, intellectual property, a strong R&D team and access to markets in which we have not historically operated. The internal sealants market is large (greater than US$1 billion) and growing. Sealantis has developed a range of products that reduce leakage of blood or fluid in high risk surgeries. Further details of Sealantis are shown on pages 16 to 17.

Q: How has the market changed during the year?

A: The Group operates in the large global surgical and advanced woundcare markets, both of which have shown steady growth over many years due to favourable global healthcare trends and both of which provide AMS with significant future potential. The growth trajectory continued in 2018 for our main surgical market and we extended the area within which we compete by adding the Sealantis portfolio to our product range. The addition of the Seal G and Seal G MIST products opens up a further US$1 billion market to us within which we do not currently compete. In contrast, the advanced woundcare market has shown some weakness, as reported by other global woundcare companies, due to factors such as local reimbursement changes in certain countries and the entry of some lower cost competition. Whilst this has slowed growth rates for everyone within woundcare, we know from our recent experiences of product recertification in Germany that the increased regulatory hurdles are likely to result in product withdrawals from the market and fewer competitors in the medium term which will result in increasing opportunities for the stronger, higher quality suppliers and products. We are confident of long-term growth, as we continue to expand our product portfolio, enter new geographies and increase our share in each market.

Q: How do the realigned Business Units address the challenges?

A: As we constantly strive to improve our business, we have identified some significant benefits accessible by implementing a minor realignment to our Business Units. By combining the marketing, development and regulatory activities of all advanced woundcare products into a single Business Unit, we expect improved processes to ensure that we better exploit opportunities as they arise.

Under the new structure, our Branded Business Unit will include the sales, marketing research development and innovation of all our surgical devices and be called our Surgical Business Unit. Our OEM Business Unit, which was previously already 95% woundcare will include all advanced woundcare sales and marketing, research, development and innovation of all our woundcare devices, regardless of whether they are sold under an AMS or partner brand name. Essentially, the change is that ActivHeal® (2018: £6.3 million sales) will move from the Branded (renamed Surgical) Business Unit to the OEM (renamed Woundcare) Business Unit. The new structure was implemented in January 2019 and our reported numbers will be presented in this way from H1 2019 onwards.

Q: How has AMS dealt with the Regulatory challenges this year?

A: In May 2017, the European Medical Devices Regulation (MDR) started its three-year transition period to replace the existing Medical Devices Directive. The MDR stipulates stricter requirements on product safety and performance, clinical evaluation and post-market clinical evidence and all medical device manufacturers will have to update their technical documentation and processes to meet the new requirements in order to continue to sell into the EU, creating a significant spike in medical regulatory activities globally.

Notified bodies will also have to operate to the new higher standards and each will have to go through their own approval process in order to be able to certify medical devices under MDR. Consequently, over the last few years the number of Notified Bodies has roughly halved to 60 and those that remain are indicating resource constraints within their organisations as they strive to meet the new regulatory requirements and the influx of requests from companies who are seeking a new Body following the closure of their previous selected partner.

During the next few years, all medical device manufacturers are at risk of experiencing delays in product approvals and recertifications and significantly increased demands for evidence on older products. In the medium-term, whilst increasing the cost of quality and regulatory, the tighter regulatory standards should prove beneficial for AMS, as we expect some competitors and products to exit the market and fewer new market entrants due to the significant barrier to entry.

In 2018 and early 2019, AMS successfully completed its five-year recertification process for the RESORBA® product portfolio, which proved significantly more onerous than usual, as we previously reported, due to the above factors and resulted in some short-term disruption to supply. Whilst the impact on overall 2018 results was not material, it did impact the phasing of our sales. On the positive side, we gained significant knowledge from the process, which we have used to prepare a robust Group-wide plan to navigate the regulatory challenges of the next few years.

Q: How has the year been strategically and what are your priorities for the year ahead?

A: We continue to evolve our organisation and strategy to maximise value and efficiency for the Group. In 2018 our strategy evolved to allow increased focus on our four key strategic pillars of Growth, Innovation, Operational Excellence and Culture. We are pleased with the progress we have made and believe we are well set to drive continued growth.

Historically, our strategy to expand into new geographies, increase distribution of our surgical products and to enhance our product portfolio has served us well and delivered several years of solid growth. As we continue to evolve to overcome changing market dynamics so does our strategy, which has evolved to focus on four key pillars: Growth, Innovation, Operational Excellence and Culture.

Our Growth strategy still centres on exploiting the opportunities from having multiple routes to market across multiple geographies trying to ensure our products add value to patients and payors through delivery of equal or better clinical performance with no compromise on care or outcomes.

For Innovation we continue to strengthen our portfolio by developing or acquiring high quality products that allow us or our partners to make market share gains in high value segments.

In the increasingly competitive medical device space, as we continue to grow and expand our technology base we need to ensure we continually driving out cost and protect margin through Operational Excellence. We have created the Chief Operations Officer role to lead this pillar of our business and are well advanced with developing our plans to ensure we continue to drive continuous improvement across each of our operating sites.

We are only as good as our people and we have spent significant time agreeing and communicating our desired culture and capturing the essence of what has helped AMS become the success it is today. Recruiting and retaining high calibre individuals and teams remains critical to the success of AMS and we believe the work we have done and continue to do in this area will serve us well for the future. Our Cultural pillar is captured within our Care, Fair, Dare values and behaviours which we use to help recruit, recognise and reward performance across the Group.

The Group continues to actively look for businesses that deliver value for shareholders, immediately or in the short to medium term, and which meet our selection criteria of being:

- Products or technologies that enable us to leverage our woundcare customer base or surgical routes to market; or
- Surgically focused companies with product synergies, strong R&D capability and ownership of their products.

We have an internal team working with advisors to identify, appraise and progress acquisition opportunities and continue to explore options to accelerate growth through select targets.

Q: What is your key message for the year ahead?

A: How medical devices companies operate and manage their businesses going forward is having to change given the significant impact of MDR. We enter 2019 with renewed optimism with our enhanced product portfolio and regulatory strength giving us significant opportunities in our large and growing markets and believe we are better prepared and better informed than many other companies in our space. We are already seeing products being withdrawn from the market and suppliers refusing to commit to new requirements in support of existing products. This can only be good for the stronger, more capable players in the space and will increase the burden on low cost or inferior products. With the underlying demographics still being in our favour in both our wound care and surgical markets, with our portfolio continuing to evolve through our own research and development and select acquisitions, and our continuous process of gaining new approvals and market entry across all key regions, we remain very optimistic about the future prospects of AMS.

Q: How prepared is AMS for Brexit?

A: AMS has completed a comprehensive review of its supply chain and is well positioned and well prepared for Brexit, with increased stock holdings in place to reduce any risk of supply disruption. In November 2018, our UK notified body (BSI) announced its successful designation in the Netherlands, and in early 2019 our UK product approvals were transferred to BSI Netherlands, with a protracted transition period for related packaging changes. As a further minor labelling change, we will have to include details of an EU Authorised Representative (Advanced Medical Solutions BV) on the packaging of our UK manufactured products.

Creating quality products

for the surgical market

The Branded (Surgical) Business Unit is charged with the innovation and development of all surgical products, which are sold directly and through distributors. The business has a strong pipeline of innovation and product approvals.

2018 saw the US launch of LiquiBand® Exceed mini device which is used to close smaller wounds and the EU launch of LiquiBand® Fix8TM for open surgery hernia mesh fixation. The US approval process of LiquiBand® Fix8TM laparoscopic is well underway with patient enrolment for the clinical study in H1 2019.

We continue to work on extending the LiquiBand® product range to compete in the growing market for large wound closure, with US approval expected by the end of 2019. We are developing improved formulations for the base monomers that are used in our adhesives with product launches expected in 2019.

We are also developing biosurgical products incorporated with antibiotics and conducted our first prescription usage of a new antibiotic collagen pouch for cardiac implantable electronic devices, such as pacemakers, in Germany.

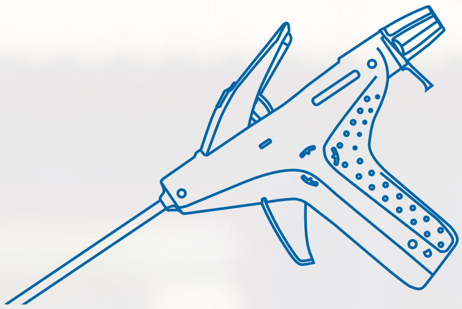
The acquisition of Sealantis will provide further access to the global internal surgery market. Details are on pages 16 to 17.

Key information on the Open Hernia device and CIED Pouch are outlined on these pages.

Surgical market[1]

£5.7bn

[1] Based on data supplied by the Global Healthcare Exchange and IMS Health.



LIQUIBAND® FIX8™ Open hernia mesh fixation device

- Atraumatic mesh fixation in Open Inguinal Hernia surgery
- Open Inguinal Hernia Repair is one of the most common surgical procedures
- Delivers cyanoacrylate glue in precise volume with a controlled delivery system
- Aids suture-less closure to topical skin and forms a microbial barrier to prevent secondary bacterial infection
- Reduces turnaround time for patients through quick mesh fixation and fast wound closure without compromising patient care
- Fewer post operative complications improves the patient's quality of life and reduces the length of hospital stays

Collagen pouches for CIED

- A novel, antibiotic collagen pouch for cardiac implantable electronic devices, such as pacemakers
- Antibiotic loaded collagens provide local, rather than systemic, drug delivery giving significant patient and environmental benefits
- Product used on seven occasions in humans at MHH University Hospital in Hannover, with positive results
- Conducted our first prescription usage in 2018
- Working on the development and regulatory activities for alternative antibiotics for Orthopedic and Cardiac applications

Creating quality products

for the woundcare market

The OEM (Woundcare) Business Unit has a strong, continuous new product pipeline which targets two new launches per annum, and was achieved in 2018. Progress has been focused on the infection management area, a cornerstone of our innovation pipeline.

There are multiple growth opportunities via range extensions and market expansions for the woundcare market. Progress in H1 included EU approval for atraumatic Lite foam and approval to market our advanced woundcare products in Brazil. We anticipate further product range extensions in the next two years which include soft silicone PHMB dressings and silver high performance dressings.

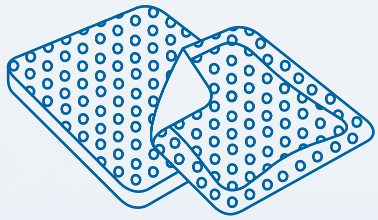
Following FDA approvals we launched our new silver post-operative dressing range, including a patented design for total joint arthroplasty, and also our premium PHMB foam range which demonstrates enhanced performance. Both launches are positioned with major US partners.

Key advantages of the new products (Silver Post-Op and PHMB Foam) are outlined on these pages.

Advanced woundcare market[1]

£2.8bn

[1] Based on data supplied by the Global Healthcare Exchange and IMS Health.



PHMB Foam

Faster antimicrobial action

- Total eradication of challenged organisms within 24 hours

Sustained antimicrobial activity

- PHMB is an effective antimicrobial agent against a broad spectrum of microorganisms for up to seven days

Waterproof polyurethane bacterial barrier film

- Stops bacteria from entering the wound. Allows moisture vapour through the dressing, reducing risk of maceration

Activity against biofilm

- Prevents biofilm from reforming within 48 hours

Wide application

- Indicated for ulcers (pressure, leg, diabetic foot), surgical wounds and first/second degree burns

Centrally positioned PHMB foam pad

- Rapidly absorbs exudate, reducing the risk of maceration

Perforated wound contact layer

- Ensures dressing stays in place and reduces risk of newly formed granulation tissue penetrating the foam

Silver Post-Op

Contains silver

- Prevents colonisation and proliferation of bacteria in the dressing

Unique ergonomic dressing shape

- Developed in conjunction with surgeons in the EU and US
- Patent protected shape developed for knee anthroplasties

Strong peri-wound adhesion

- Ensures the dressing remains in place for the full wear time

Comfortable and conformable

- Allows mobility of the joint, aiding recovery, with low friction

Excellent fluid handling capabilities

- Ensures exudate is managed appropriately
- Maintains a moist wound environment, conducive for healing

Waterproof bacterial barrier

- Facilitates showering and acts as a barrier to bacterial penetration

Sealantis – Harnessing the Natural Power of the Sea

Sealantis acquisition:

- Access to the internal sealants market
- Transaction completed for US$25m (approx. £19m) in cash with royalties due until December 2027 on sales of any of its products that are currently in development
- Innovative technology to enter the US$1 billion internal sealants market
- First product expected to enter European market from H1 2021
- Significant potential for multiple, additional internal sealant products and indications, including Neuro, Orthopedic, and Cardiovascular surgery indications
- Part of AMS's growth strategy of acquisitions which have synergies with the AMS Portfolio

Who are Sealantis

Sealantis is an Israeli-based medical device company formed in 2007 with a patent-protected, alga-mimetic sealants technology platform with a wide range of potential surgical indications under development. The alga-mimetic tissue adhesive technology was discovered by the world-renowned Technion (Israel Institute of Technology), and has since been extensively tested for clinical use.

TECHNION Israel Institute of Technology

Israeli medical device start-up founded by AMIT (Alfred Mann Institute Technion)

Alga-mimetic tissue adhesive technology platform

Focused on Surgical products

CE 0344

Product CE Marked (Jan 2018)

Successfully completed First in Human clinical study (Jan 2017)

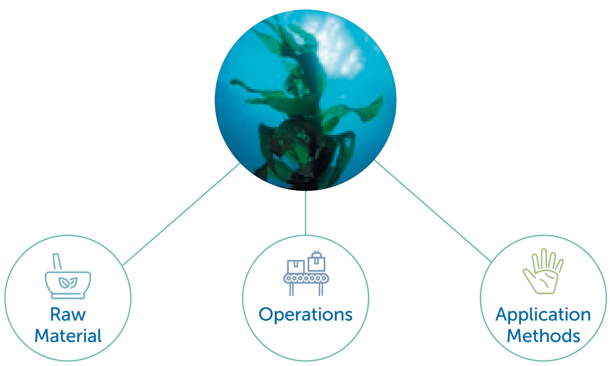
This adhesive technology mimics the underwater adherence mechanism of algae, providing it with a superior ability to stick to tissues and grafts even in a wet environment. The adhesives are bioresorbable (degrade in the body) and do not contain proteins (this eliminating potential immunogenic and allergic risks).

Products

Sealantis develops innovative products for a wide variety of applications and clinical needs in internal surgery. Sealantis' pipeline is focused on products which are safe, biocompatible, easy to use and cost effective. The products have significant competitive advantages over existing market leading products in this space:

- Seal-G Surgical Sealant (CE Marked) and Seal-G MIST (Minimally Invasive Spray Technology) are designed for a wide range of internal surgical applications, including to reinforce and protect gastrointestinal anastomoses, which aim to reduce the occurrence of post-surgical leaks
- Seal-G MIST is at the advanced development phase and has undergone a comprehensive series of preclinical and biocompatibility testing. A clinical trial of 80 subjects is planned in 2019
- Seal-V is designed for the rapid control of bleeding during various vascular procedures

Platform differentiation



Raw Material
- Natural (plant based)
- Protein free (no immunogenic risk)
- Commonly used for woundcare

Operations
- Low manufacturing costs
- Room temp handling and storage

Application Methods

Spreading

Spraying

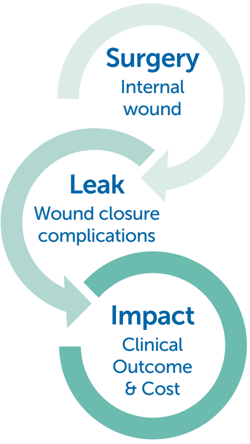
Strategic linkage for Sealantis

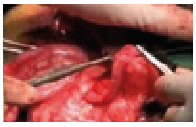
Growth	
Innovation	

The need for Effective Sealants

To minimise intra and post-operative complications

Bowel content leak
CSF leak
Air leak
Blood leak
Bile leak





GI (Gastrointestinal) surgery
Neurosurgery
Cardiac Surgery
Vascular Surgery
Lung Surgery
Plastic Surgery
General Surgery

Mortality rate
Hospitalisation time
Complications rate
Post-op recovery time

The Clinical Need...

To minimise intra and post-operative complications.

Gastrointestinal leakage is associated with high rates of post-up complications, cost, re-operation and mortality as set out below[1]:

Increased post-op stay by:
9 days

Mortality rate
9%

30-day readmission rate
>2x

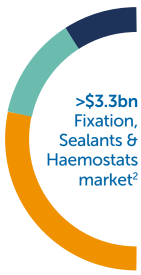
Additional hospital costs/case
$25k

...and market opportunity

Worldwide procedures
>6m

Opportunity
>$1bn

Fixation	>$0.5bn
Sealants	>$1bn
Haemostats	>$1.8bn



[1] Source: Hammond et al. J Gastrointest Surg, 2014 , DOI 10.1007/s11605–014–2506–4 (n= 6,174)

[2] Internal knowledge, SmartTRAK Hemostats & Sealants, BioMedGPS LLC, Allied Market Research, IMS, GHX

Chris Meredith, CEO of AMS, commented:

"The acquisition of Sealantis is in line with our strategy to acquire technologies that are complementary to our surgical portfolio as well as allowing us to leverage our global routes to market. It enhances our access to a significant and high-margin market in internal surgery. We are particularly excited to welcome Sealantis' innovation team of R&D experts to AMS and look forward to working alongside them to develop the technology in a wide range of potential applications and indications."

Synergies with AMS and the future:

The Sealantis technology platform has multiple synergies with AMS, most notably in:

- Sales
- Marketing
- Regulatory
- Operational

The acquisition significantly strengthens the Group's product portfolio for internal sealants and fixation devices, sitting alongside AMS's LiquiBand Fix8® laparoscopic and LiquiBand Fix8® open fixation devices. The chart below outlines how our products fit into the Fixation, Sealant and Haemostats market.

Fixation	>$0.5bn
Sealants	>$1bn
Haemostats	>$1.8bn
Topical Haemostats	>$0.9bn

AMS plans to rapidly maximise the value of the investment by continuing to invest in the existing Sealantis innovation centre and accelerating the commercialisation of the laparoscopic and open variants of Seal-G.

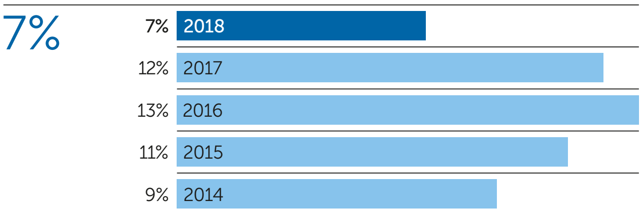
sealantis
Alga-Mimetic Tissue Adhesives

Measuring success

The Group has a range of Key Performance Indicators (KPI's) which are used to monitor Group performance, operations and measure progress against our strategy.

Financial KPIs

Revenue growth at constant currency[1] %

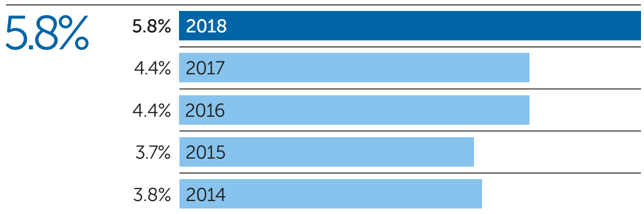


Definition
Net revenue adjusted for constant currency[1].

Strategic linkage
Continued growth in revenue demonstrates the successful execution of the Group's strategy. It is a contributing factor to our aim of providing long-term value for our shareholders.

Progress made in the year
Revenue has increased by 6% to £102.6 million (2017: £96.9 million) in 2018 and by 7% on a constant currency basis.

% of revenue spend on R&D & Innovation

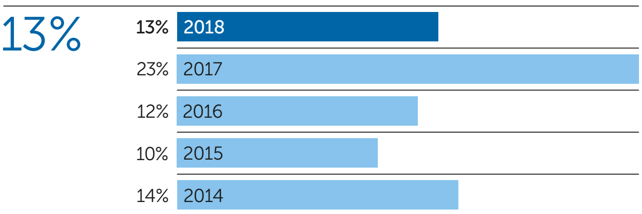


Definition
Spend on R&D & Innovation as a % of total expenditure in the financial year.

Strategic linkage
As a developer of innovative and technologically advanced products investing resources in this area is critical to fulfilling the strategic goals of the business.

Progress made in the year
Spend increased by 25% in 2018 to 5.8% of revenue (2017: 4.4% of revenue). As highlighted by our acquisition of Sealantis and strategic goals related to Innovation, we expect to continue to increase our spend in this area during 2019.

Adjusted diluted earnings per share (EPS) growth %

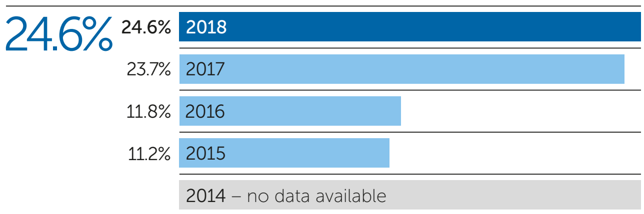


Definition
Growth in adjusted[2] diluted EPS achieved in the year. EPS is an important factor to our aim of providing value for our shareholders.

Strategic linkage
EPS is a measure of corporate profitability and the Group's financial progress. It is also an important factor to our aim of providing value for our shareholders.

Progress made in the year
Adjusted diluted EPS has increased by 13% to 10.71p (2017: 9.46p).

% of sales from new products launched in the previous five years



Definition
This is a measure of the % of sales the Group is generating from products launched in the five years prior to that year.

Strategic linkage
As a company focused on innovation and with a number of patented products and technologies, this is an important measure of the success of our innovation programme, a stated strategic aim.

Progress made in the year
% of sales increased to 24.6% of revenue (2017: 23.7% of revenue). We expect this to accelerate in 2019 due to our strong product pipeline and as our recent product launches become established in the market.

[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 £0.4 million (2017: £nil) and amortisation of acquired intangible assets which were £0.1 million (2017: £0.1 million) as defined in the Financial Review.

Key to strategic linkage in this report

Growth (orange)	Operational Excellence (purple)
Innovation (red)	Culture (light blue)

Year-over-year change of our standard cost base %

2.4%
(increase)

2.4%	2018
	2017 – no data available
	2016 – no data available
	2015 – no data available

The data is only presented for 2018.

Definition
Measures the reduction in standard cost base[3] against prior year.

Strategic linkage
Cost reduction is a key metric as operating margin is no longer a KPI. Continued improvements in cost reduction demonstrates the successful execution of strategy and is important for the sustainability of the Group.

Progress made in the year
The standard cost base increased by 2.4% in 2018. The target in 2019 is a 2% reduction, with preparations being made to target a 4% reduction in 2020. The appointment of a Chief Operations Officer in 2018 will help to drive achievement of this target.

Staff retention/turnover %

10%

10%	2018
	2017 – no data available
	2016 – no data available
	2015 – no data available

The data was only available for 2018.

Definition
The % of staff who have left the Group during the year (gross number of leavers).

Strategic linkage
Low levels of staff turnover are critical for the future success of the business. Low levels of turnover increase employee engagement and the embedding of the Care, Fair, Dare culture.

Progress made in the year
Staff turnover was 10% in 2018, (2017: 8%), in line with 10% that is considered beneficial for a business, and lower than the national average of 15%.

Non-financial KPI's

Customer service (OTIF) %

83%

83%	2018
93%	2017
90%	2016
96%	2015
99%	2014

Definition
On Time in Full (OTIF) is a measure of whether we delivered on our commitment to provide excellent service to our customers.

Strategic linkage
OTIF is important both in terms of contractual commitment and customer retention.

Progress made in the year
OTIF decreased to 83% (2017: 93%), impacted by back orders created by product availability due to re-certification. Following successful recertification of RESORBA products and the reduction of back orders in early 2019, we expect OTIF to increase.

Employee Engagement Score %

41%

41%	2018
	2017 – no data available
	2016 – no data available
	2015 – no data available

No data is available prior to 2018.

Definition
Of the employees who responded to the Employee Survey, the % of employees who had seen positive action from the implementation of Care, Fair, Dare culture.

Strategic linkage
This % indicates how successfully we have embedded our culture. An increasing score indicates more engaged employees, leading to higher productivity and higher retention.

Progress made in the year
2018 was the first full year of Care, Fair, Dare. While we are satisfied with the score of 41%, we aim to increase this to above 50% in 2019.

[3] Reduction in average standard cost of production assuming no change in product mix.

Our Business Units

Branded

Overview

The Branded (Surgical) Business Unit includes sales, marketing, research, development and innovation of our surgical products and the ActivHeal product range, which will become part of the Woundcare Business Unit in 2019. It is engaged principally in delivering needed and differentiated devices to surgeons to close and seal wounds and to reduce the incidence of various surgical complications. We sell our products via a combination of direct sales forces, distribution partners, and hybrid approaches.

Branded revenue

£62.1m

Revenue increased by 12% at reported currency and by 13% at constant currency. (2017: £55.2 million).

"With an exciting R&D pipeline, opportunities from the Sealantis acquisition and regulatory approvals underway, we are optimistic about our ability to continue to deliver meaningful benefits to patients across the world."

Jeff Willis
Business Unit Director

Advanced Closure

Advanced Closure is comprised predominately of the LiquiBand® topical skin adhesive range incorporating medical cyanoacrylate adhesives in purpose built applicators. These products are used to close and protect a broad variety of surgical and traumatic wounds.

Advanced Closure	2018	2017	Reported Growth	Growth at constant currency
Americas	**22,963**	18,195	26%	30%
UK/Germany	**5,585**	5,344	5%	4%
ROW	**3,171**	2,498	27%	27%
TOTAL	**31,719**	26,038	22%	24%

Growth

As we continue to take market share, launch new products and expand into new markets, revenue increased by 22% to £31.7 million (2017: £26.0 million). Our market share in the key US market increased by 2% during the year. We saw strong growth with ocytl-based product variants.

Innovation

2018 saw the successful launch of the LiquiBand® Exceed mini product line in the US, which is geared to smaller wounds and we expect to launch our large wound closure device by the end of 2019.

Future

LiquiBand® TSAs compare favourably with the existing market leader in wound closure and tensile strength, set time, ease of use and adhesive yield. Despite increasing competition we are confident that product line and geographical expansion will drive further growth in Advanced Closure.

Traditional Closure

Traditional Closure consists of RESORBA® branded absorbable and non-absorbable sutures.

Growth

Revenue growth in the period was restricted by the regulatory challenges, increasing by 1% to £13.3 million (2017: £13.1 million) with a number of new accounts recently won in the UK and China. Growth has also been driven by particular variants for certain surgical specialties, including dental and ophthalmic.

Innovation

The sutures category is well established and AMS has a full range of products. An improved range of absorbable sutures is planned for launch in 2019 and we continue to invest resources in developing further variants for specialty areas such as dental and ophthalmic and also plan to upgrade long-term absorption, monofilament and steel wire product ranges.

Future

Whilst the suture category is complex and mature, AMS will continue to explore targeted opportunities in this area and derive benefit by bundling with other products.

We will continue our full range focus in Germany including commitment contracts with major Germany buying Groups, and 'full house' suture account conversions. We hope to leverage specialty suture wins (and bundle with commitment contracts) and expand in local distributed geographies (China, USA) and focal specialty areas (Dental).

Sales by product area

Branded Business Unit	2018	2017	Reported Growth	Growth at constant currency
Advanced Closure	**31,719**	26,038	22%	24%
Internal Fixation and Sealants	**2,066**	1,706	21%	21%
Traditional Closure	**13,342**	13,147	1%	1%
Biosurgical Devices	**8,640**	8,036	8%	6%
Advanced Woundcare*	**6,293**	6,318	0%	0%
TOTAL	**62,060**	55,244	12%	13%

* In order to take advantage of the opportunities foreseen, this segment will be incorporated into OEM (Woundcare) in 2019.

Strategy

Deploy our core skills in adhesives/sealants, applicator design, and biosurgicals to help surgeons achieve the best outcome for their patients. We will do this by investing in innovation, working with Key Opinion Leaders, and following a disciplined project-based approach to deliver both new and improved products. We aim to:

- Continue to grow LiquiBand® by targeting larger accounts and Health Providers in the US, engaging new distribution partners in the EU and developing the Asia Pacific and Latin American markets
- Launching product upgrades and new products into the market
- Expanding sales of LiquiBand Fix8® into key territories in Asia Pacific
- Introduce Open Fix8® across Europe and key territories
- Expand use of Biosurgical products across the EU and other territories using clinical evidence and industry Groups
- Progress key regulatory approvals for antibiotic collagens
- Upgrade and develop suture range to drive sales in new and existing territories, leveraging experience of speciality suture wins

Biosurgical Devices

Biosurgicals is principally composed of collagen-based materials including RESORBA® Gentacoll® Gentamycin Collagen products used in Orthopedic and Cardiac applications, and Collagen fleeces and cones used in Dental applications.

Growth

Biosurgicals delivered 8% growth in 2018 to £8.6 million (2017: £8.0 million) driven by success in Asia and with some of our European distributors.

Innovation

In 2018, AMS broadened its range of Dura substitute products and Dental membranes. We conducted our first prescription usage of an antibiotic collagen pouch for cardiac implantable electronic devices, such as pacemakers, in Germany. Antibiotic loaded collagens provide local, rather than systemic, drug delivery giving significant patient and environmental benefits. We are working on development and regulatory activities for alternative antibiotics for Orthopedic and Cardiac applications.

Future

There are significant opportunities to expand Dental and Surgical use of our biosurgical products across the EU in Dental, Septic Surgery, and Neuro applications. We will partner with Key industry Groups who will help us to educate and promote the usage of AMS products and support the Biosurgical range into new territories.

We aim to progress other new regulatory approvals for novel antibiotic loaded collagens in both US and the EU.

Internal Fixation and Sealants

This category comprises LiquiBand® Fix8™ devices, which are indicated for internal fixation of hernia meshes. Using our cyanoacrylate adhesive, hernia meshes are held in place in the body instead of traditional tacks and staples.

Growth

Revenue increased 21% to £2.1 million (2017: £1.7 million). After design enhancements to our LiquiBand Fix8® laparoscopic device, the product showed strong growth from Q2 and has received very positive feedback from surgeons.

Innovation

In late 2018, we launched LiquiBand Fix8® for open surgery, which is a substantial portion of the global hernia market and can be used for both mesh fixation and final wound closure.

We are committed to making LiquiBand Fix8® available to patients in the US and substantial progress on Pre Market Approval (PMA) preparation has been made, with patient enrolment for the clinical study in H1 2019.

Future

The global internal surgery market is a significant opportunity for AMS and, with the acquisition of Sealantis in January 2019, we now have multiple adhesive/sealant technologies to develop in combination with our applicator design expertise.

Potential applications are broad but will include applications around Gastro Intestinal procedures and prevention of vessel leakage.

OEM

Overview

The OEM (Woundcare) Business Unit is responsible for driving sales through our business to business partners and third party convertors by supplying a comprehensive multi product-portfolio of advanced woundcare products. We partner with world-leading woundcare companies, developing innovative products with differentiated claims and providing regulatory and clinical support for our partners to distribute under their own brands.

We are well positioned to meet the raised standards of the Medical Device Regulation (MDR), providing the clinical evidence, marketing collateral and regulatory support our partners require.

“We are excited by the progress made in 2018 linked to product approvals in the infection management area, which are the cornerstones of our innovation pipeline.”

Becky Walmsley
Business Unit Director

Infection Management

The Infection Management category comprises advanced woundcare dressings that incorporate antimicrobials such as Silver and Polyhexamethylene Biguanide (PHMB).

Growth

Revenue of antimicrobial dressings increased by 1% to £19.6 million (2017 £19.4 million) and by 2% at constant currency.

Innovation

In Q4 we launched our silver post-operative dressing with a major US partner. This is an ergonomic dressing for total joint arthroplasty, with approximately 1.6 million procedures performed annually in the US.

Following FDA approval we launched our premium PHMB foam range into the US in Q4, which has enhanced product performance in terms of rapid microbial activity and eradication of pathogens. The market for antimicrobial foams in the US and EU is approximately £100 million and growing.

In H2 2019, we expect to extend our infection management portfolio with an antimicrobial high performance dressing and a range of products addressing skin infections on intact skin. We are also developing next generation high gelling products with differentiated antibiofilm claims.

Future

We are committed to driving growth in the infection management area through life cycle management and expansion of the portfolio into adjacent segments. We are developing clinically relevant and efficacious products and expanding the innovation pipeline into the high value accelerated wound healing segment. We continue to investigate licensing strategic technologies to enter new market segments.

Exudate Management

The Exudate Management category comprises advanced woundcare dressings which do not incorporate any antimicrobial elements.

Growth

Revenue in Exudate Management was impacted by reimbursement changes in certain countries and increased lower cost competition and consequently declined by 6% to £16.0 million (2017: £17.0 million) and by 5% at constant currency.

Innovation

On a positive note, we launched our new Lite foam product range, secured a new US partner and expanded into Latin America following successful approval in Brazil. We are working on extending the Lite foam portfolio with a range of shapes and sizes for the acute post surgery market and also extending the claims on our silicone foam range for pressure ulcer prevention.

Future

We intend to continue commercial expansion into emerging markets with new partners and to develop clinically relevant differentiated products with enhanced performance.

OEM revenue

£40.5m

*** Revenue decreased by 3% at reported currency and by 2% at constant currency.**

-3% (2017: £41.7m)

Sales by product area

OEM Business Unit	2018	2017	Reported Growth	Growth at constant currency
Infection Management	**19,622**	19,368	1%	2%
Exudate Management	**16,041**	17,004	-6%	-5%
Other Woundcare	**4,874**	5,292	-8%	-6%
TOTAL	**40,538**	41,664	-3%	-2%

Other Woundcare

Royalties, fee income and sealants used in woundcare.

Growth

Other Woundcare revenue decreased by 8% to £4.9 million (2017 £5.3 million) and by 6% at constant currency due to reduced Organogenesis royalties of £1.8 million (2017: £2.5 million) as end sales were impacted by lower reimbursement levels for most of the year.

Innovation

Our skin protection range of products has been expanded via a new five-year global supply agreement with a key partner. This next generation launch addresses the market need of products for patients affected by prolonged exposure to moisture.

Future

We will continue to evaluate the different ways our skin protection products can enhance the patient's quality of life and help with the wound healing process.

ActivHeal®

The realignment of the Business Units in 2019 to incorporate ActivHeal® into the woundcare division will enable the Business Unit to have direct access to clinicians, with a more focused approach and simplified decision making structure, with commercial and R&D synergies.

Strategy

To be the partner of choice for innovative differentiated products enabling our customers to be successful through full design, development, manufacturing and distribution services supported by in-house regulatory, clinical and marketing professionals. To achieve this AMS will:

- Expand the product portfolio via a multi-year innovative product development pipeline into growth segments, utilising close links to universities to enhance innovation
- Invest in our people to provide guidance to ensure compliance with the changing regulatory and clinical landscape, supporting expansion into new markets
- Gain product approvals by leveraging in-house expertise
- Expansion into emerging markets with our partners
- Invest to enhance our reputation for high quality, customer service, regulatory and clinical support
- Gain access to end users and develop a network of Key Opinion Leaders (KOL)
- Ensure our intellectual property is safeguarded to protect our product portfolio
- Expansion of the portfolio into the post-acute market segment and next generation of PHMB products

The Group delivered another strong financial performance

Eddie Johnson
Chief Financial Officer

Summary

The Group delivered another strong financial performance, with a 12% increase in profit before tax and a 6% increase in reported revenue. At constant currency, revenue increased by 7% with currency movements reducing revenue by approximately £0.9 million during the year.

To provide the clearest possible insight into our performance, the Group uses alternative performance measures. These measures are not defined in International Financial reporting Standards (IFRS) and, therefore, are considered to be non-GAAP (Generally Accepted Accounting Principles) measures. Accordingly, the relevant IFRS measures are also presented where appropriate, We use such measures consistently at the half year and full year and reconcile them as appropriate. The measures used in this statement include constant currency revenue growth, adjusted operating margin, adjusted profit before tax and adusted EPS, allowing the impacts of exchange rate volatility, exceptional items and amortisation to be separately identified. Net cash is an additional non-GAAP measure used. The Group incurred exceptional costs of £0.4 million in the year relating mainly to the acquisition of Sealantis (2017: £nil) and amortisation of acquired intangibles of £0.1 million (2017: £0.1 million).

Administration costs excluding exceptional items increased by 4.3% to £33.6 million (2017: £32.2 million) with increased investment in R&D, regulatory and sales and marketing being partially offset by favourable movements on currency contracts. The Group incurred £6.0 million of gross R&D, regulatory and clinical spend in the year (2017: £4.3 million), representing 5.8% of sales (2017: 4.4%), with increased regulatory costs incurred due to the recertification of Suture and Collagen products.

Adjusted operating margin increased by 180 bps to 28.0% (2017: 26.2%) and operating margin increased by 150 bps to 27.5% (2017: 26.0%) due to positive sales mix and favourable currency contracts.

Adjusted profit before tax increased by 14% to £28.9 million (2017: £25.4 million) and profit before tax increased by 12% to £28.4 million (2017: £25.3 million).

Reconciliation of profit before tax to adjusted profit before tax

	2018 £'000	2017 £'000
Profit before tax	**28,434**	25,277
Amortisation of acquired intangibles	**81**	134
Exceptional items	**402**	–
Adjusted profit before tax	**28,917**	25,411

The Group's effective tax rate, reflecting the blended tax rates in the countries where we operate and including UK patent box relief, was unchanged at 20.3% (2017: 20.3%).

Adjusted diluted earnings per share increased by 13% to 10.71p (2017: 9.46p) and diluted earnings per share increased by 12% to 10.48p (2017: 9.39p).

The Board is proposing a final dividend of 0.90p per share, to be paid on 14 June 2019 to shareholders on the register at the close of business on 24 May 2019. This follows the interim dividend of 0.42p per share paid on 26 October 2018 and would, if approved, make a total dividend for the year of 1.32p per share (2017: 1.10p), a 20% increase on 2017.

Operating result by business segment

Year ended 31 December 2018	Branded £'000	OEM £'000
Revenue	**62,060**	**40,538**
Profit from operations	**18,197**	**10,985**
Amortisation of acquired intangibles	**76**	**5**
Adjusted profit from operations[5]	**18,273**	**10,990**
Adjusted operating margin[5]	**29.4%**	**27.1%**
Year ended 31 December 2017		
Revenue	55,244	41,664
Profit from operations	14,336	11,354
Amortisation of acquired intangibles	125	9
Adjusted profit from operations[5]	14,461	11,363
Adjusted operating margin[5]	26.2%	27.3%

[5] Adjusted for exceptional items and for amortisation of acquired intangible assets. Table is reconciled to statutory information in Note 4 of the financial information.

Branded

The adjusted operating margin of the Branded Business Unit increased by 320 basis points to 29.4% (2017: 26.2%), supported by sales growth, beneficial sales mix and favourable currency movements. 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 decreased slightly to 27.1% (2017: 27.3%), mainly due to the reduced royalty from Organogenesis in the period.

Currency

More than one third of Group revenues are invoiced in US Dollars and approximately one quarter are invoiced in Euros. The Group hedges significant currency transaction exposure by using forward contracts, and aims to hedge approximately 80% of its estimated transactional exposure for the next 12 to 18 months. The Group estimates that a 10% movement in the £:US$ or £:€ exchange rates will impact Sterling revenues by approximately 3.6% and 2.5% respectively and in the absence of any hedging this would have an impact on profit of 3.0% and 0.7%.

Cash Flow

Net cash inflow from operating activities increased by 20% to £20.4 million (2017: £17.0 million), and at the end of the period, the Group had net cash of £76.4 million (2017: £62.5 million).

Working capital increased during the year mainly due to trade receivables being £6.8 million higher, which was caused by a change in customer mix (more US customers on longer payment terms), sales phasing (impacted by new product launch dates and also some product availability issues relating to the recertification of RESORBA® products) and currency movements. Debtor days increased to 47 days (2017: 41 days) mainly due to the increased proportion of US debtors which are on longer payment terms. Inventory also increased during the year as we intentionally built stock levels to mitigate possible supply risks from recertification and Brexit, with inventory months increasing to 4.7 months (2017: 4.2 months of supply). Creditor days increased to 31 days (2017: 27 days).

In the year, we invested £4.7 million in capital equipment, R&D and regulatory costs (2017: £4.5 million).

Cash outflow relating to taxation decreased to £3.8 million (2017: £4.5 million) due to the timing of tax payments on account.

The Group paid its final dividend for the year ended 31 December 2017 of £1.6 million on 15 June 2018 (2017: for the year ending 2016, £1.3 million), and its interim dividend for the six months ended 30 June 2018 of £0.9 million (2017: £0.7 million) on 26 October 2018.

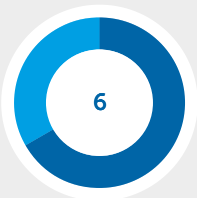
In December 2018, the Group secured a new £80 million, multi-currency credit facility with a £20 million accordion option. The credit facility is provided jointly by HSBC and The Royal Bank of Scotland and is in place until December 2023. It is unsecured and has not been drawn down. This facility carries an annual interest rate of LIBOR or EURIBOR plus a margin that varies between 0.60% and 1.70% depending on the Group's net debt to EBITDA ratio.

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.

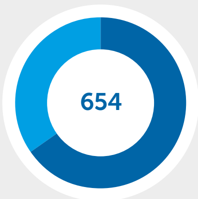
We remain committed to continuous improvement.

Main Board



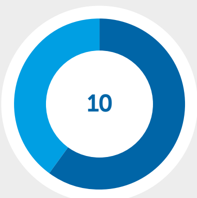
Male	4
Female	2

Total Employees



Male	46%
Female	54%

Senior Management Team



Male	6
Female	4

As at 31 December 2018

Employees

At AMS our employees drive the success of our business. 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 600 employees globally, AMS is focused on hiring and developing 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'. Employees at all levels are encouraged to make the fullest possible contribution to the Group's success.

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 2019.

AMS promotes two way 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. In 2019 we introduced an electronic system to enable all employees to openly ask the Senior Management Team questions. We listen to all views, take feedback and pro-actively provide information allowing us to remain agile and customer centric.

AMS has policies and procedures in place for Anti-Bribery and Corruption, which are reviewed and updated annually by the Audit Committee.

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 beliefs. The female representation on the Board, Senior Management Team and across the Group at the year-end is shown on this page.

Strategic linkage
Culture

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 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. We aim to operate to the highest ethical standards. We have adopted and embedded 'AMS Care, Fair, Dare' to summarise our culture, underpin our values, and to deliver results, building a sustainable future for our business. Under Care, Fair, Dare, 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 provides a cultural framework to nurture the ways in which we interact and achieve success as a team.

Throughout 2018, all employees attended cultural workshops, focusing on developing action plans to embed Care, Fair, Dare into their teams. 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. Employees have personal objectives which directly link to the business' corporate objectives and receive feedback on competencies via a 360 degree review based on our culture of Care, Fair, Dare to ensure achievements align with the culture we wish to embed.

In 2018 we introduced 'One AMS', a Group Quality Management System, to further integrate the Group, through a Group Quality Management System, and embed the AMS culture. This will be further developed in 2019.

Measuring success

From 2019 we will increase our focus on employees and culture by introducing the measurement of our Employee Engagement Score and Staff Retention/Turnover as Key Performance Indicators within our strategic pillar of Culture.

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.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

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
- Respect and seek to avoid any unlawful infringement of the intellectual property rights of third parties

Health, Safety and Environment

We are focused on maintaining the highest levels of health and safety within our business which ensures employees feel safe and secure within the working 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. 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 Operations Officer, supported by the Group Operations Director, ensures adequate resource is available to support operational health, safety and environmental improvement plans.

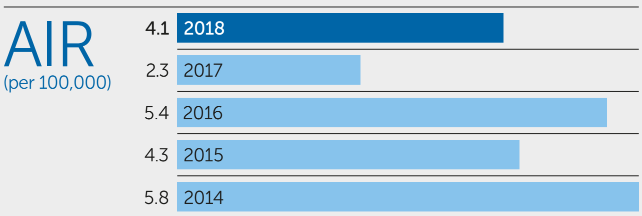
We have established HSE Committees at each site which meet monthly. These Committees report monthly to the Senior Management Team and to the Board. We focus on the prevention of accidents and incidents through proactive reporting of potential hazards.

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 2018

AMS continues to deliver solid safety performance with an AIR score significantly better than the target of 6.0. Our All Injury Rate (AIR) was 4.1 in 2018 (2017: 2.3). This rise was driven by an increase in minor accidents at our Etten Leur and RESORBA facilities, the root causes of which have since been addressed through improved personal protection equipment (PPE) and procedures. Our AIR is measured as follows:

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



AMS reconfirms its goal to continuously improve our safety performance introducing a new goal of an AIR score below 4, with increased focus on safety culture. We will continue to take proactive initiatives to ensure AIR remains below this new target. We will also further invest in Health and Safety across the Group with the appointment of a Group Health and Safety Manager in 2019.

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 five 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. In 2018 we were the main sponsor for both the Kingsley 5k and England Athletics 5k Road Championships, a national event that was held in a local Cheshire village. A number of employees participated in these highly successful events, which we will sponsor again in 2019 (see below).

We also sponsor a number of local sport teams including a junior rugby team (Crewe and Nantwich RUFC Junior Colts), the Crewe and Nantwich RUFC Touch Rugby Teams (Blaze and Fire), which promote participation in rugby for boys, girls, men and women of ages and abilities from 10 to 50+. We also provided sponsorship and kit for the Marine Academy Plymouth Juniors FC, a junior girls football team in Plymouth.

Above: Pie & Peas 5 mile run.

Right: Fund raising events in 2018 for St Luke's Hospice.

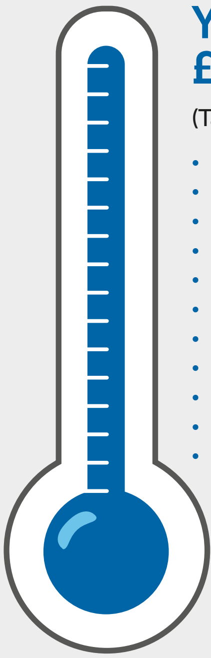
We continue to support an employee who won Gold, Silver and Bronze medals at the Open Tae Kwon Do European Championships in 2017. She will compete at the UK Championships in May 2019 and we will continue to support her in the coming years. We also sponsored a former Crewe & Nantwich RUFC star who lost the use of his legs due to a freak injury while playing rugby. He was called up to the GB Wheelchair Rugby Team, and AMS has provided financial assistance in order that he can purchase a specialist wheelchair to compete for GB.

In 2018 AMS was 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 supported this event through employee participation and marshalling.

AMS employees organised a number of fundraising events during 2018 for St Luke's Hospice, with the target to raise £8,000. Thanks to the hard work of many employees this target was surpassed, with £10,552 being raised through a variety of events (see Totaliser below). The target for 2019 is to raise £15,000, the equivalent of 200 nursing hours.

In 2018 AMS agreed to support three Passion for Learning volunteers at primary schools close to Winsford. Passion for Learning is a charitable organisation which provides educational support for under privileged children with the emphasis on learning through play. Volunteers work with children both 1:1 during the school day and through a network of after-school Enrichment Clubs. AMS hopes that the children can develop the skills they need in order to become part of the workforce of the future. We will continue this support during 2019.

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



Year-end total: £10,552

(Target: £8,000)

- Celebration Cards Sale
- Xmas Snowment/Sweets
- Halloween Party
- Yorkshire 3 Peak Challenge Walk
- Summer Raffle
- Car Boots
- Midnight Walk and Face painting
- Dress down and Cake Sale
- Easter Chicks Sale
- Valentines Cake Sale
- Charity Box

St Luke's
CHESHIRE HOSPICE

Risk Management

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, external auditor 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 actions 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.

The Board has applied principle C.2 of the UK Corporate Governance Code by establishing a continuous process for identifying, evaluating and managing the significant risks the Group faces, as outlined on page 31, and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives.

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 and ensuring the Annual Report is fair, balanced and understandable
→ Monitoring compliance with internal control systems and co-ordinating Internal Audit arrangements
→ Monitoring and oversight of internal and 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 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.

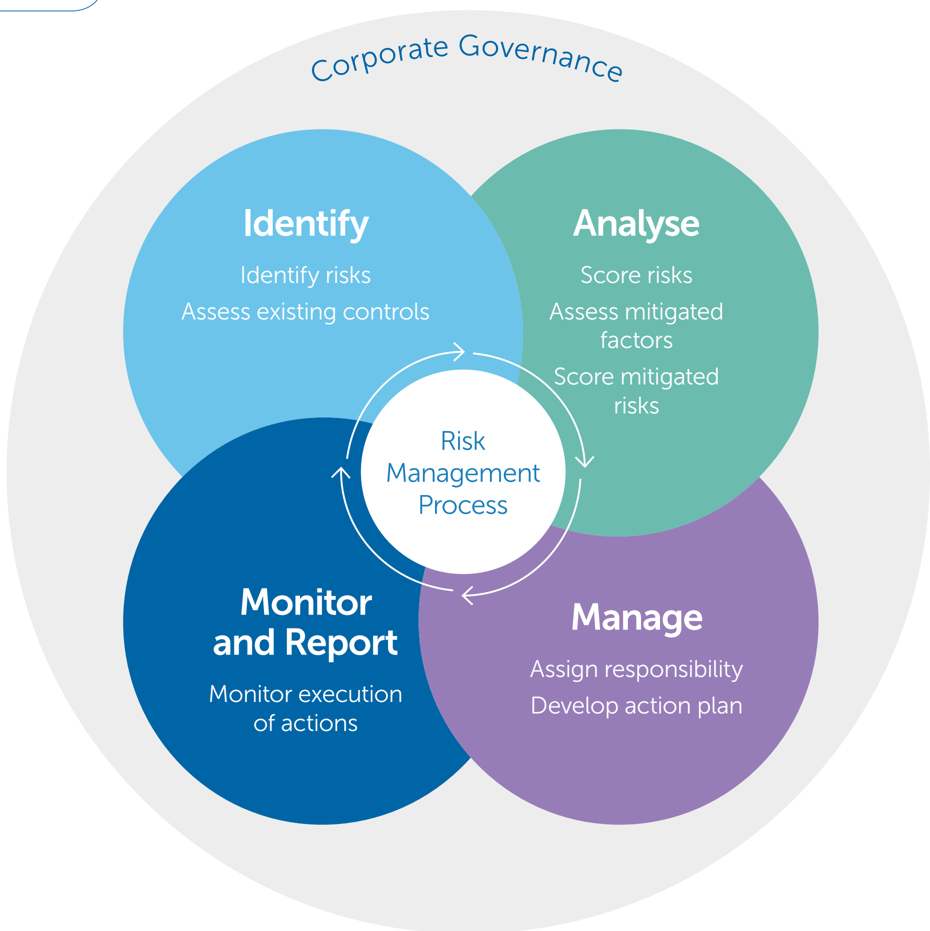
Monitoring and Reporting Risk

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 and Uncertainties

Strategic Risks

All of the Principal Risks and Uncertainties are listed in the following pages, which includes a link to the strategy icons.

Key to strategic linkage in this report

Growth	Operational Excellence
Innovation	Culture

Risk	Potential Impact	Key Controls and Mitigating Factors	Status
1. Market share declines/developing new markets is slower than expected	• Income shortfall • Loss of Woundcare 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	Increased risk Increased risk for the Woundcare market as a whole
2. 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 monitored against stage gate process to ensure projects progress 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 new approaches • Consideration of licensing technology • IP portfolio regularly reviewed and strong IP enforcement	No change
3. Industry consolidation/loss of business at key account level	• Income shortfall	• No over reliance on any one customer. Our biggest customer represents 16% 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 knowhow and/or IP • Evaluation of new claims to support existing product range	Increased risk Continuing challenges with our Woundcare partners
4. Increased global competition	• Income shortfall	• Full service offering including strong regulatory and quality assurance, product development, product differentiation and clinical support to mitigate a pure cost of supply proposition • Contracts 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	No change
5. Making the wrong or no acquisition/ poor integration	• 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 • Integration plan in place with key milestones	No change
6. Brexit Implications	• Higher costs • Customs delays • More complicated/longer product approvals • Longer lead times for customers • Reduced client willingness to develop business in the UK	• Comprehensive supply chain review completed • Awarded Authorised Economic Operator status to allow quicker customs clearance • Transfer of certificates to BSI Netherlands completed • Inventory levels increased at all sites • Appointed EU Authorised Representative • Liaised with partners to mitigate supply/customs issues	Decreased risk AMS is well prepared for Brexit

Key to strategic linkage in this report

Growth	Operational Excellence
Innovation	Culture

Operational Risks

Risk	Potential Impact	Key Controls and Mitigating Factors	Status
7. Regulatory risk	• Inability to supply product • Product launches delayed • Unable to keep existing claims • Loss of customer, revenue and reputation	• Stringent regulatory regime with an experienced team • Clear 3–5 year regulatory strategy in place to manage MDR • Third-party sourcing as contingency for regulatory delays • 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	↑ Increased risk Certification challenges caused by stricter requirements of the Medical Device Regulation (MDR)
8. 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	→ No change
9. Cyber-Risk	• Systems and data compromised • Loss of sensitive data • Loss of reputation	• Cyber Security audits carried out including penetration testing • Implementation of audit and testing recommendations • UK Government backed "Cyber Essentials" certification achieved May 2018 • Compulsory Cyber Security training for all employees • Ongoing user education	↓ Decreased risk Audit recommendations implemented
10. Talent management	• Loss of key staff • Insufficient talent pool for succession planning	• Succession and Talent Management process at SMT and mid-management levels to identify talent gaps and high potential • Leadership and Management Development • Integrated Total Reward, Performance and Culture strategy to drive attraction, retention and employee engagement • Embedded Care, Fair, Dare culture across the Group • Close monitoring of attrition levels and reasons for leaving	→ No change

Financial Risks

Risk	Potential Impact	Key Controls and Mitigating Factors	Status
11. Forex exposure	• Loss of income • Shortfall in profit • Market expectations missed	• Established treasury policy on forex exposure • Robust forward forecasting of currency cash flows • Aim to hedge 80% of forecast net cash flows for the next 18 months	→ No change

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 to 33, was approved by the Board of Directors and signed on its behalf by:

Eddie Johnson
Company Secretary
18 April 2019

Board of Directors

Peter V Allen

Non-Executive Chairman

A R N*

Biography:
Peter 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). He is a qualified Chartered Accountant.

Term of office:
Peter Allen was appointed as Non-Executive Chairman of the Group in January 2014.

Independent:
Not applicable.

External appointments:
Peter is currently the Non-Executive Chairman of AIM listed Clinigen plc, Abcam plc and Diurnal plc, together with privately owned Oxford Nanopore Technologies Limited and Istesso Limited.

Chris Meredith

Chief Executive Officer

N

Biography:
Chris Meredith 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 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 became Chief Operating. Chris has previously held senior positions at Smiths Industries, Cardinal Health, Banner Pharmacaps, and Aster Cephac.

Term of office:
Mr Meredith was appointed Group Chief Executive Officer in January 2011.

Independent:
No.

External appointments:
Mr Meredith was appointed as a Non-Executive Director of Creavo Medical Technologies Ltd in May 2018. Creavo Medical Technologies Ltd is a UK-based, privately-held medical device Company that is developing innovative techniques and in no way conflicts with AMS.

Eddie Johnson

Chief Financial Officer

C

Biography:
Eddie Johnson joined AMS in October 2011 and was appointed Group Financial Controller in November 2012. Prior to this he gained a first class degree in Maths and Computer Science from Keele University in 1993 and 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.

Term of office:
Eddie Johnson was appointed as Chief Financial Officer and Company Secretary in January 2019.

Independent:
No.

External appointments:
Not applicable.

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

Biography:
Penny Freer joined the Board of AMS in March 2010. 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.

Term of office:
Penny Freer was appointed as Senior Independent Non-Executive Director of AMS in March 2010.

Independent:
Yes.

External appointments:
Penny Freer is Chairman of AP Ventures LLP, a non-executive director of Empresaria Group plc, Crown Place VCT plc and The Henderson Smaller Companies Investment Trust plc and a founding partner of corporate advisory business, London Bridge Capital Partners.

Steve G Bellamy

Non-Executive Director

A* R N

Biography:
Steve Bellamy was 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.

Term of office:
Steve Bellamy was appointed as Non-Executive Director of AMS in February 2007.

Independent:
Yes.

External appointments:
Steve Bellamy 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 management and advice – now dormant).

Peter M Steinmann

Non-Executive Director

A R N

Biography:
Peter Steinmann 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.

Peter has held Directorships prior to joining AMS. Having worked throughout Europe and North America, he has extensive knowledge of the global medical devices market.

Term of office:
Peter Steinmann was appointed as Non-Executive Director of AMS in July 2013.

Independent:
Yes.

External appointments:
Peter is currently Chairman of Advanced Perfusion Diagnostics SA, Chairman elect of DistalMotion SA and a Director of Steinmann International GmbH.

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

Registered Number
2867684

Senior Management Team

Simon Coates

Group IS Manager

Biography:
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

Biography:
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.

Alan Richardson

Chief Operations Officer

Biography:
Alan joined AMS in November 2018 as Chief Operations Officer. Alan graduated with a B Eng honours degree in Chemical Engineering from Bradford University. Alan joined Yorkshire Chemicals as a Chemical Engineer and has since had 25 years of experience in the Medical Device, Pharmaceutical, Contract Research and Chemical Industries having worked for both Bristol-Myers Squibb and Convatec. Prior to joining AMS, Alan spent 11 years at Convatec and held a number of roles including Director, New Product Integration; Vice President Quality and Operations and Vice President Advanced Woundcare Operations.

Cathy Tomlinson

Group HR Director

Biography:
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 Masters 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 acquisitions.

Pieter van Hoof

Group Operations Director

Biography:
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.

Becky Walmsley

Business Unit Director, OEM (Woundcare)

Biography:
Becky joined AMS in July 2015 as Business Unit Director of OEM and Bulk Materials (now Woundcare). 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 (Surgical)

Biography:
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 Surgical 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. The Board is committed to the principles of good corporate governance covering leadership, effectiveness, accountability, remuneration and shareholder relations.

New guidelines came into force on the 28 September 2018. As a result AMS has stated that we aim to comply with the UK Corporate Governance Code (Code) and have applied the Code as far as is practicable and appropriate for a public Company of the Group's size. During 2018 AMS followed the 2016 Code and will adopt the updated 2018 Code in 2019. All statements made are made against the 2016 Code. The area where AMS currently does not comply is the tenure requirements for Non-Executive Directors who have 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 and Penny Freer have served as Non-Executive Director for 12 years (February 2019) and 9 years (March 2019) respectively and are considered to be independent by the Board. Details of these judgements 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 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 responsibility 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 business and financial 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 2018 included:

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

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 2018. 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 2018:

Grant date	Board	Audit Committee	Remuneration Committee	Nomination Committee
Peter Allen	8	3	4	1
Steve Bellamy	8	3	4	1
Penny Freer	8	3	4	1
Chris Meredith	8	3*	2*	1
Peter Steinmann	8	3	4	1
Mary Tavener	8	3*	0	0
Eddie Johnson	8*	3*	0	0

*By invitation.

All Directors have access to the advice and services of the Company Secretary and Deputy 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.

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. The female representation on the Board at 31 December 2018 was 33.3%. Additionally, the Senior Management Team also has a diverse experience. Its members comprise several nationalities and female representation was 40%. Both of these ratios will fall in 2019 as Mary Tavener has been replaced on the Board by Eddie Johnson, and some of her responsibilities in the Senior Management Team have been taken by the appointment of Alan Richardson (Chief Operations Officer) in November 2018.

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 58 and the terms and conditions of appointment of the Non-Executive Directors are available at the Company's Registered Office.

Tenure Chart

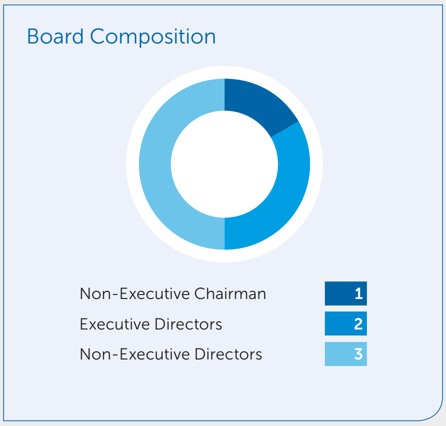
The size of the Board during 2018 was six and the tenure is shown below. The Company follows the Code as far as is practicable. The Board notes the tenure requirement for a Non-Executive Director who has served on the Board for more than nine years from the date of first election to not be considered to be independent (Code Provision B.1.1.).

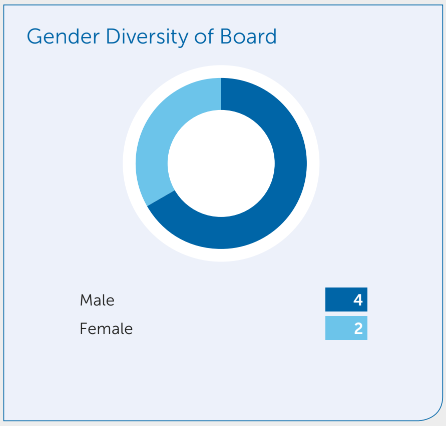
Steve Bellamy and Perry Freer have served as Non-Executive Director's for 12 years (February 2019) and 9 years (March 2019) respectively. Due to their extensive experience with the Company, and that the Board consider them to be independent of character and judgement, they are considered by the Board to be independent Directors. Steve Bellamy and Penny Freer are, however, subject to annual re-election which started in 2017 for Steve Bellamy and 2019 for Penny Freer (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 Steve Bellamy, Penny Freer and Peter Steinmann to be independent. The Board rigorously self assess their performance, with a focus on independence and commitment.

Peter Allen, Steve Bellamy and Penny Freer own shares in the Company as shown on page 61. 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. Peter Allen and Peter Steinmann will both have been Non-Executive Directors for more than six years in 2019, and the Board will review their appointments in accordance with Code Provision B.2.3.





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 2018 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 on Page 107 gives 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 2018 and are available to view on the Company's Website 'www.admedsol.com'. The Deputy Company Secretary acts as Secretary to the Committee.

The Remuneration Committee met four times in 2018. 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 grants of shares under the Group's Long-Term Incentive Plan (LTIP). The report of the Committee is included on pages 49 to 59.

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 2018 and are available to view on the Company's 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
- 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 and has recent and relevant financial experience. The Committee has Terms of Reference that are reviewed at least annually, were updated at the end of 2018 and are available to view on the Company's 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 45 to 48.

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 £76.4 million (2017: £62.5 million) and was debt free (2017: debt free). The Group agreed a five-year, £80 million, multi-currency, revolving credit facility in December 2018 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 banks HSBC and 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, 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. The Group has also considered the implications that may arise as a result of Brexit and developed appropriate risk management solutions to mitigate this risk.

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 49 to 59.

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 2018 the Company has taken the following key steps to implement the requirements of the Modern Slavery Act 2015:

- Group-wide communication of the Anti-Slavery/Human Trafficking Policy through compliance training
- 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's website 'www.admedsol.com/modernslaveryact'.

Gender Pay Gap Reporting – Ensuring Opportunities for All

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.

Gender Pay and Bonus Gap

	2017		2018	
	Mean	Median	Mean	Median
Gender pay gap	11.2%	6.1%	**11.6%**	**-0.4%**
Gender bonus gap	60.3%	0.0%	**59.0%**	**0.0%**
Gender bonus gap (excluding shares)	8.7%	0.0%	**7.5%**	**0.0%**

The above table shows our mean and median gender pay gap and bonus gap as at the snapshot date (i.e. 5 April 2018) based on 374 eligible employees within Advanced Medical Solutions Limited. The Group is only required to provide data for Advanced Medical Solutions Limited.

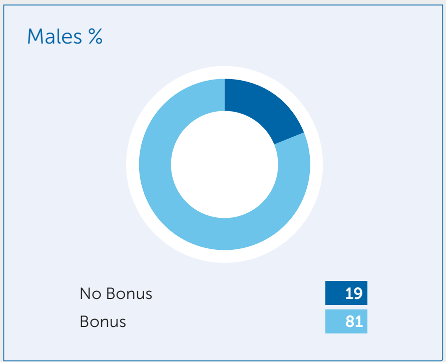
Our disclosable mean pay gap of 11.6% (2017: 11.2%) is below the reported national average of 14.3%. The increase from prior year is driven by the implementation of a skills grid matrix which normalises pay for employees with the same skill set and experience. We are pleased to report however that we have all but abolished our median pay gap which now stands at -0.4% (women paid more than men) compared to 6.1% (men paid more than women) last year.

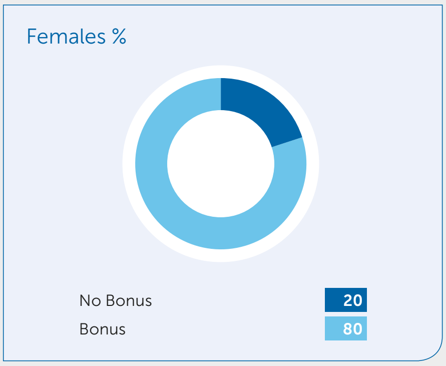
Our analysis of our gender gap tells us this is largely driven by the fact that women hold fewer senior positions than men. Women made up 42% (2017: 41%) of our overall workforce on the snapshot date, compared to 34% (2017: 32%) of women in upper quartile for pay.

Our analysis suggests that when we adjust for this structural issue, our pay gap changes to -2.4% (2017: -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 2018, 72% 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 7.5% (2017: 8.7%).

Proportion of employees receiving a bonus





This shows a 1% 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.

	2017		2018	
Quartile	Male	Female	Male	Female
Upper	68%	32%	**66%**	**34%**
Upper Middle	55%	45%	**49%**	**51%**
Lower Middle	57%	43%	**59%**	**41%**
Lower	57%	43%	**57%**	**43%**

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, and home working), development opportunities (sponsorship of further education, coaching and mentoring, and 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.

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 Strategic Report, which incorporates The Chairman's Statement, Chief Executives Statement 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.

Eddie Johnson
Company Secretary
18 April 2019

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 2018
- Reviewed the annual and half-yearly financial reports and related statements and discussed:
  - → Key accounting judgements
  - → Cost of capital
  - → Impact of Brexit
  - → 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 2016 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. This is set out on page 44 and in Note 2 on page 76. 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
  - → Goodwill impairment

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 2018 audit
- Reviewed the performance of the External Auditor and considered the re-appointment of Deloitte LLP as auditor for 2019 and recommended appointment to the Board

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 re-appointment
- Reviewed ongoing advice from previous audits
- Engaged RSM to conduct a 'Healthcheck' of AMS control environment and assurance needs

Risk Management

- Reviewed the key risks to the Group and the plans to mitigate these risks
- Reviewed the scoring criteria and reporting to the Committee
- Review of Business Payment Practices and Performance Report and procedure for reporting to the Committee

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, appropriate 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 ten financial years. 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 re-appointment 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 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
- 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 are 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 2018 the Internal Auditor reviewed previous audit reports and undertook to conduct a 'Healthcheck' of AMS' control environment and assurance needs in early 2019. 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), TÜV Rheinland LGA Products GmbH and Lloyds Register, 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 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 and full year 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
- 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.

Maximising long-term shareholder value is a key corporate objective for the Group, 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.

Eddie Johnson
Company Secretary
18 April 2019

Remuneration Report

The Board presents the Remuneration Report for the year ended 31 December 2018.

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 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)

Biographical information on the Committee members is set out on pages 34 and 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 four 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 5 June 2019 asking them to consider and approve this Report. The activities the Remuneration Committee undertook in 2018 were:

Month	Principal Activities
January	• Review of 2017 personal objectives • Review of proposed 2017 Executive Director and Senior Management Team (SMT) bonus and Deferred Annual Bonus awards • Review of proposed share option and LTIP awards • Review of compliance with Executive Shareholding Policy for Executive Directors and SMT • Impact of Organogenesis on revenue, PBT, and bonus
February	• Finalisation of 2017 personal objectives awards for Executive Directors • Setting of 2018 personal objectives for Executive Directors • Review of proposed LTIP awards relating to an offer for a Chief Operating Officer
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 • Ratification of 2015 LTIP vesting (Senior Management Team) • Renewal of the Executive Shareholding Policy • Agreement of the proposed Financial Package for the new Chief Financial Officer (2019) and Chief Operating Officer (appointment)
December	• Consideration of the proposed 2019 basic salaries for the Executive Directors and SMT • Ratification of 2015 LTIP vesting (Executive Directors) • Ratification of Executive Director shares from Company Share Schemes as a Good Leaver • Review of results of Committee Self Assessment questionnaire, Terms of Reference and Directors' Expenses Policy • Discussion regarding renewal of share schemes in 2019 • Agreement of 2019 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. The policy aims to conform to best practice as far as reasonably practicable. The policy will continue to apply for 2019 and subsequent years, subject to ongoing review as appropriate. The Committee retains the right for discretion, although no discretion was used in 2018. 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
- In considering the market positioning of reward elements, account will be taken of the performance of the Group and of each individual Executive Director

Mercer 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 in 2018, except the two members who have been with the Company less than five 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. Mercer were engaged in December 2018 to provide guidance on consulting with shareholders on the proposed 2019 salary increases for Chris Meredith (Chief Executive Officer) and Eddie Johnson (upon appointment as Chief Financial Officer). Penny Freer (Senior Non-Executive Director and Chairman of the Remuneration Committee) met with the majority of the significant shareholders in early 2019 to discuss the proposed salary changes. The feedback was generally supportive, and any concerns raised were resolved.

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, and were contacted in early 2019 as outlined above.

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. The cost of living increase for the 2018 financial year was 2%. However, the Committee determined to increase the basic salary for Chris Meredith (Chief Executive Officer) by 7.8%, which was discussed with shareholders by Penny Freer (Chairman of the Remuneration Committee).

Statement of Voting at General Meeting

At the 2018 AGM, the percentages of votes cast 'for', and 'against' in respect of the Directors' Remuneration Report were as follows:

Resolution	Number of shares voted	Votes cast 'for'	Votes cast 'against'
To approve the Directors' Remuneration Report	123,921,601	99.18%	0.82%

Overview of Directors' 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 52 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 2018. 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 53.	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 150% of salary for the Chief Executive Officer and 75% of salary for the Chief Financial Officer. 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 and Care, Fair, Dare. The SMT are entitled to receive up to 50% of their salary in bonus, of which 77% of the award is dependent on financial performance targets and 23% on personal objectives and Care Fair Dare. 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 53. There is no provision for clawback.	N/A

Overview of Director's Remuneration Policy continued

Directors' Policy Table

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 as 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 levels 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 2018 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 53. 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.
Pension	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 a fixed 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, except for those who have opted out.	N/A

Malus provisions – 2014 LTIP/DAB

The 2014 LTIP and DAB incorporate malus provisions. For LTIPs and DABs 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 2017 and 2018:

	Salary and fees		Annual Bonus		Deferred Annual Bonus		LTIPs vested		Gains on DSBs vested[1]		Benefits		Pensions		Total remuneration	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Chris Meredith	**278**	270	**127**	201	**42**	67	**407**	466	**13**	8	**1**	1	**28**	27	**896**	1,040
Mary Tavener	**215**	209	**81**	130	**27**	43	**377**	329	**4**	4	**1**	1	**22**	21	**727**	737
Peter Allen	**73**	71	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**73**	71
Steve Bellamy	**43**	42	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**43**	42
Penny Freer	**43**	42	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**43**	42
Peter Steinmann	**37**	36	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**37**	36
Total	**689**	670	**208**	331	**69**	110	**784**	795	**17**	12	**2**	2	**50**	48	**1,819**	1,968

[1] Gains on DSBs vested is based on the share price at vesting date. Details of the DSB can be found on page 52.

The table above summarises the payments made and additional amounts earned by the Executive Directors and Non-Executive Directors for the 2017 and 2018 financial years. The Chairmen of the Audit Committee and Remuneration Committee (Steve Bellamy and Penny Freer) received a supplementary fee of £3,000 for chairing a Committee. The Deferred Annual Bonus recorded in the table above is in respect of the 2017 and 2018 financial years, to be paid or deferred into shares, which will not be received until 2021 and 2022 respectively. The Executive Directors were granted further LTIPs as detailed on page 55. 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 proposed a salary increase of 7.8% for Chris Meredith (Chief Executive Officer) in 2019 and a salary of £175,000 for Eddie Johnson upon his appointment as Chief Financial Officer. The Group's UK employees also received a 2% salary increase for the 2019 financial year. Eddie Johnson was appointed as Chief Financial Officer on 1 January 2019 following the retirement of Mary Tavener on 31 December 2018, but he did not take on direct responsibility for the management of operations, which was taken on by the new Chief Operations Officer. The salaries were agreed as above following discussions with the majority of the significant shareholders in early 2019.

Director	2019	**2018**	% increase
Chris Meredith	£300,000	**£278,409**	7.8%
Mary Tavener (retired 31 December 2018)	–	**£215,373**	–
Eddie Johnson (appointed 1 January 2019)	£175,000	**N/A**	–

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 2019 will be 150% of salary for the Chief Executive Officer and 75% 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 2018 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 (Mary Tavener) 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 payouts of 94% (2017: 60%) and 93% (2017: 60%) respectively in relation to the non-financial elements of their respective bonuses, which resulted in payment worth 17% (2017: 11%) of salary to the Chief Executive Officer and 14% (2017: 9%) of salary to the Chief Financial Officer. The Committee consider the 2019 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 2018 financial year is accrued and paid in 2019. Overall the 2018 bonus payments made in respect of the 2017 financial year were as follows:

Director	Bonus paid in 2018 (2017 Financial Year)	Deferred Annual Bonus	Percentage of salary (total bonus)	Maximum % of salary
Chris Meredith	£200,965	£66,988	82.6%	120%
Mary Tavener	£129,553	£43,184	82.6%	100%

Vesting of LTIPs for the year ended 31 December 2018

The LTIPs granted on 10 September 2015 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 10 September 2018. The performance conditions were:

- 50% of the Award was 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
- 50% of the Award was 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 2015 to 31 December 2017

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 September 2015, 87.3% of the award vested in September 2018. The Company achieved 100% vesting for the TSR element (2017: 100% – ranking 8th out of the 50 comparators) and 74.5% for the EPS element (2017: 53.7% – compound annual EPS growth of 14.92%).

In the Directors' emoluments single figure remuneration table on page 53, the figure attributable to the LTIPs granted on 10 September 2015 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 13 April 2018 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	3.08	90,344	278,260	See below
Mary Tavener	Nil-cost option	100% of salary	3.08	69,888	215,373	See below

EPS – Three financial years to 31 December 2020
TSR – Three years to 13 April 2021

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 2017	Exercised in the year	Issued in the year	Lapsed in the year	**As at 31 December 2018**	Market price at date of grant (p)	First vesting date
Chris Meredith	168,316	–	–	21,377	**146,939**	151.50	10 September 2018 (vested)
	143,553	–	–	–	**143,553**	184.60	18 April 2019
	109,571	–	–	–	**109,571**	246.69	6 April 2020
	–	–	90,344	–	**90,344**	308.00	13 April 2021
Mary Tavener	132,013	–	–	16,766	**115,247**	151.50	6 September 2015 (vested)
(retired 31 December 2018)	111,050	–	–	–	**111,050**	184.60	18 April 2019
	84,762	–	–	–	**84,762**	246.69	6 April 2020
	–	–	69,888	–	**69,888**	308.00	13 April 2021
Eddie Johnson (appointed 1 January 2019)	39,216	–	–	4,981	**34,235**	132.00	10 September 2018 (vested)
	31,148	–	–	–	**31,148**	184.60	18 April 2019
	23,775	–	–	–	**23,775**	246.69	6 April 2020
	–	–	19,603	–	**19,603**	308.00	13 April 2021

The entitlement to shares under the LTIP is subject to achieving the performance conditions referred to on page 52. 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 2018 Chris Meredith exercised Nil LTIPs (2017: 607,883), Mary Tavener exercised Nil LTIPs (2017: 313,759) and Eddie Johnson Nil LTIPs. Awards made have no performance re-testing facility.

Retirement of Executive Director

Mary Tavener retired as Chief Financial Officer on 31 December 2018 and was a Good Leaver. She will receive her 2018 bonus in April 2019 and a proportion of this will be deferred into the DAB Scheme. Her outstanding LTIPs (380,947) and DAB shares (50,418) will vest in the usual way over the next three years, and are subject to the relevant performance targets. Any shares held in trust relating to the DSB scheme will be removed from the Scheme in March 2019 in line with the Scheme Rules.

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.

Eddie Johnson was appointed as Chief Financial Officer on 1 January 2019, replacing Mary Tavener. His salary of £175,000 is lower than Mary Tavener (2018: £215,373) as he did not take on direct responsibility for the management of operations.

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 53	Non-Executive Directors do not participate in variable pay arrangements 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
Eddie Johnson (appointed 1 January 2019)	1 January 2019	Rolling Contract	12
Mary Tavener (resigned 31 December 2018)	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 on cessation of employment	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 2018.

Payments for Loss of Office

No payments for loss of office were made during the year ended 31 December 2018.

Statement of Directors' Shareholdings and Share Interests

Director	Beneficially owned[1] at 31 December 2017	Beneficially owned[1] at 31 December 2018	Outstanding LTIP awards at 31 December 2018	Outstanding DAB awards at 31 December 2018	Outstanding share awards under DSB at 31 December 2018	Shareholding as a % of Issued Share Capital at 31 December 2018
Chris Meredith	1,485,530	**1,491,943**	**490,407**	**77,756**	**14,442**	**0.70%**
Mary Tavener[2]	1,961,119	**1,973,247**	**380,947**	**50,418**	**7,152**	**0.92%**
Eddie Johnson[3]	52,185	**77,555**	**108,761**	**20,333**	**52,749**	**0.04%**

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 2018 is shown below:

Director	Shares held[4]	Vested DSBs	LTIPs (50% of vested / unexercised LTIPs)	DAB Awards	Total Shares	Target shareholding (£)	Actual shareholding value (£)	% vs holding target
Chris Meredith	**1,471,327**	**20,616**	**73,470**	**77,756**	**1,643,169**	**278,409**	**4,296,886**	**1,543%**
Mary Tavener[2]	**1,963,148**	**10,099**	**57,623**	**50,418**	**2,081,288**	**215,373**	**5,442,568**	**2,527%**
Eddie Johnson[3]	**19,044**	**58,511**	**17,117**	**20,333**	**115,005**	**175,000**	**300,738**	**172%**

[1] Includes all shares beneficially held by the Executive Director (or their spouses and children) and vested DSBs.

[2] Retired on 31 December 2018.

[3] Information shown for comparison following his appointment as Chief Financial Officer on 1 January 2019. Target shareholding uses his 2019 salary.

[4] 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 2018.

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	2014	2015	2016	2017	**2018**
Total remuneration (£'000)	645	741	784	1,040	**896**
Annual Bonus (% of maximum)	59.7%	78.76%	72.5%	82.6%	**50.6%**
LTIP vesting (% of maximum)	61.5%	55.1%	50%	76.9%	**87.3%**

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	2017 (£m)	**2018 (£m)**	change %
Staff costs	29.9	**33.6**	16.2%
Dividends[1]	2.0	**2.5**	21.6%
Tax	5.1	**5.8**	12.4%
Profits for the year attributable to owners of the parent	20.1	**22.7**	12.5%

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

£1,240,000 (2017: £1,365,000) of the staff costs figure relates to pay for the Directors, of which £712,000 relates to the highest paid Director (2017: £789,000). Total pension contributions were £1,218,000 (2017: £1,091,000) and for the highest paid Director £28,000 (2017: £27,000).

During 2018, distributions to shareholders included a dividend of £1,591,000 paid on 15 June 2018 (2017: £1,307,000) and £901,000 paid on 26 October 2018 (2017: £742,000). It is proposed that a dividend of 0.90p per share be paid on 14 June 2019. Further details are provided in Note 14 on page 86.

Gender Pay Gap Reporting – Ensuring Opportunities for All

The full compliance statement can be found on Pages 42 and 43 of the Corporate Governance Report and on the Company's 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 95 to 100. The Executive Share Option Scheme will be put forward for renewal at the 2019 AGM.

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. The CSOP will be put forward for renewal at the 2019 AGM.

2009 Executive Share Option Scheme

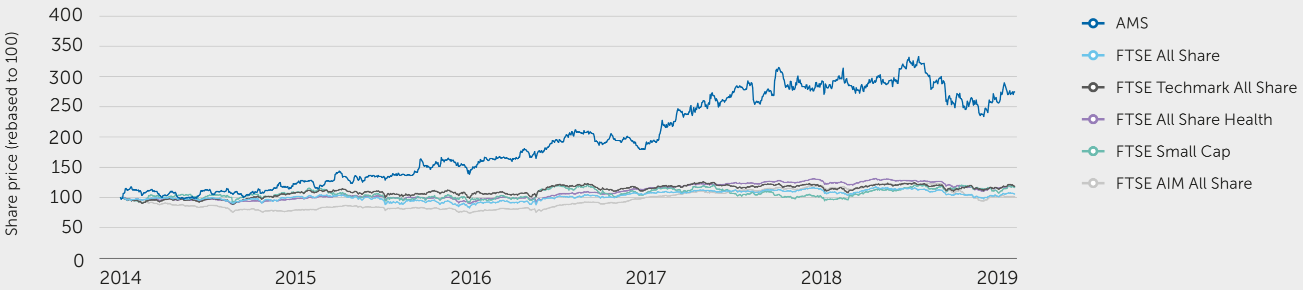
Up until 2010, the Company was able to offer options under an Enterprise Management Incentive (EMI) Scheme. The Company no longer satisfies the requirements for operating this scheme, however, options already granted will be allowed to vest in accordance with the scheme rules.

Share Performance – 2018

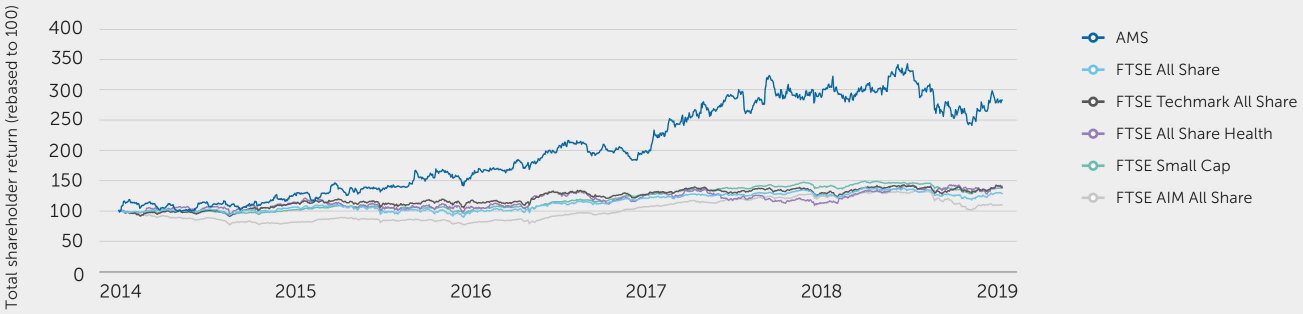
The opening share price for 2018 was 317.25p and the closing price, on the last trading day of the year, was 261.25p. The range during the year was 368.5p (high) and 261.25p (low) (Source: daily official list of the London Stock Exchange).

Five-year Share Performance

For the five-year period ending 28 February 2019 the Advanced Medical Solutions Group plc share price has outperformed the FTSE All-Share Index by 169%, FTSE Techmark All-Share Index by 156%, FTSE All-Share Health Care Index by 158%, the FTSE Small Cap Index by 157%, and FTSE AIM All-Share Index by 173%.



For the five-year period ending 28 February 2019 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 153%, FTSE Techmark All-Share Index by 143%, FTSE All- Share Health Care Index by 141%, the FTSE Small Cap Index by 145%, and FTSE AIM All-Share Index by 172%.



Eddie Johnson
Company Secretary
18 April 2019

Directors' Report
For the year ended 31 December 2018

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 2018.

Strategic Report

The Group has complied with the requirements of s414CB of the Companies Act 2006 by including certain non-financial information within the 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 and 33 in 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 2018 £3,079,000 (2017: £2,052,000) on research and development. In accordance with International Accounting Standards a further £1,392,000 (2017: £860,000) has been capitalised. Following a review of development £nil impairments were made in 2018 (2017: £nil).

Dividends

The Group made a profit before tax for the year to 31 December 2018 of £28.4 million (2017: £25.3 million). The Directors are recommending payment of a final dividend of 0.90p per share (2017: 0.75p per share). The final dividend will, subject to shareholders' approval, be paid on 14 June 2019 to shareholders on the register at the close of business on 24 May 2019. This will make a total dividend of 1.32p for the full year (2017: 1.10p).

Post-Balance Sheet Events

Subsequent to the year-end, the Group acquired Sealantis Limited. Further details can be found in Note 32 on page 100 and on Pages 17 and 18.

Key Performance Indicators

The Directors monitor the performance of the Group on a regular basis with particular reference to the relevant Key Performance Indicators (KPI's). The Group updated its KPI's in 2018 to ensure that they continue to be the most relevant for the Group and are linked to the Group strategy (see the Strategic Pillars on pages 4 and 5). Further detail and performance against the KPI's is provided on pages 18 and 19. The KPI's for 2018 and 2019 are as follows:

- Revenue growth at constant currency (%)
- Adjusted[1] diluted EPS (%)
- % of spend on R&D and Innovation
- % of sales from new products launched in the previous five years
- Year-over-year change of our standard cost base (%)
- Customer service (OTIF)[2]
- Staff retention/turnover (%)
- Employee Engagement Score (%)

Capital Structure

The Group is debt free. A five-year, £80 million, multi-currency, revolving, credit facility was agreed in December 2018 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.

The Company's Ordinary Shares are admitted to, and traded on, the Alternative Investment Market (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.

There are no specific conditions on the following scenarios:

- No special rights of control and no restrictions on the size or transfer of shares
- All shares are fully paid
- No special conditions in the Articles of Association under change of control situations

Going Concern

After making enquiries and on the basis outlined in the Corporate Governance Report on pages 38 to 44, 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.

[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 April 2019, the Group's issued share capital comprised:

	Number	£000	% of Issued Share Capital
Ordinary Shares of 5p each	213,577,549	10,679	100

The issued share capital of the Company is set out in Note 27 to the Financial Statements on page 94.

Substantial Shareholdings

As at 8 April 2019 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 April 2019	% of Issued Share Capital
Octopus Investments Limited	22,211,008	10.40
AXA SA	17,224,775	8.06
BlackRock Inc	16,854,750	7.89
Cannacord Genuity Group Inc	14,374,118	6.73
Investec Group	10,146,356	4.75
Groupama	9,291,291	4.35
Aviva plc	8,433,499	3.95
Charles Stanley Group	8,157,958	3.82
AEGON	6,561,135	3.07

There has been no significant changes to the substantial shareholdings between 31 December 2018 and 8 April 2019. The top shareholders listed above remain the same as 31 December 2018.

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 2018, 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 49.

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 exceptions of Steve Bellamy and Penny Freer who will be put forward for re-election annually. At the forthcoming Annual General Meeting Eddie Johnson, who was appointed as a Non-Executive Director on 1 January 2019, will retire and formally offer himself for re-appointment.

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 56.

Directors and their Interests

The Directors of the Company at 31 December 2018 and their interests, all of which are beneficially held, in the share capital of the Company were:

	Ordinary Shares of 5p each at 31 December 2018				Ordinary Shares of 5p each at December 2017			
Director	Shares	DSBs	LTIPs	Deferred Bonus[2]	Shares	DSBs	LTIPs	Deferred Bonus[1]
Chris Meredith	**1,484,395**	**19,164**	**343,468**	**77,756**	1,482,079	15,118	421,440	83,384
Mary Tavener[3]	**1,690,277**	**9,851**	**265,700**	**50,418**	1,959,691	9,265	327,825	55,728
Eddie Johnson[4]	**36,535**	**57,566**	**108,761**	**20,333**	N/A	N/A	N/A	N/A
Steve Bellamy	**100,000**	**–**	**–**	**–**	100,000	–	–	–
Peter Allen	**50,000**	**–**	**–**	**–**	50,000	–	–	–
Penny Freer	**13,888**	**–**	**–**	**–**	13,888	–	–	–
Peter Steinmann	**–**	**–**	**–**	**–**	–	–	–	–

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

[2] Deferred Bonus shares are in respect of the bonus earned relating to the 2015, 2016 and 2017 financial years.

[3] Retired as a Director on 31 December 2018.

[4] Appointed as a Director on 1 January 2019.

Further details of the Directors' remuneration and benefits are included in the Remuneration Report on pages 49 to 51.

Directors and their Interests continued

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 49 to 59.

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 52. 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.

831,000 Ordinary Shares (2017: 2,200,000) 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.

2018 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 offices, warehousing and outside perimeter at Winsford, replacement of several HVAC systems with more energy efficient systems with greater control, also at Winsford, and construction of a new warehouse at Plymouth that meets the latest energy efficiency requirements.

Evaluations of capital investment opportunities are ongoing to further reduce energy consumption. 2019 will demonstrate significant investment in both infrastructure and expertise. The UK manufacturing sites will comply with Energy Savings Opportunity Scheme (ESOS) and the new Streamlined Energy Carbon Reporting (SECR) legislation, that will continually drive us to improve energy efficiency.

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

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 International Accounting Standard 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
- 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, IAS 1 requires that Directors:

- Properly select and apply accounting policies

Directors' Responsibilities Statement continued

- 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
- 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
- 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
- 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 Section 418 of the Companies Act 2006.

Delotte LLP has expressed their willingness to continue in office as Auditor and a resolution to re-appoint 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 5 June 2019 are contained in the Notice of the Annual General Meeting on pages 107 to 113. 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 8, to be proposed at the meeting, would be to approve the Advanced Medical Solutions Group plc 2019 Share Option Plan (2019 SOP).

The effect of Resolution 9, to be proposed at the meeting, would be to allow the Company to allot shares conferred by Section 551 of the Companies Act 2006.

The effect of Resolution 10, to be proposed at the meeting, would be to disapply the statutory pre-emption rights conferred by Section 570 of the Companies Act 2006.

The effect of Resolution 11, to be proposed at the meeting, would be to allow the Company to purchase its own shares conferred by Section 701 of the Companies Act 2006.

Annual General Meeting

The Annual General Meeting will be held at 11.00 am on 5 June 2019 at Guildhall Room, 85 Gresham Street, London, EC2V 7NQ. Details of the Notice of the Annual General Meeting are given on pages 107 to 113. 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

Eddie Johnson
Company Secretary
18 April 2019

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 of Advanced Medical Solutions Group plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 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
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006

We have audited the Financial Statements 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 Statement of Cash Flows
- the related Consolidated Financial Statement Notes 1 to 32
- 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 Financial Reporting Council's (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.

Key audit matters

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

- Revenue recognition

Materiality

The materiality that we used for the Group Financial Statements was £1.4 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 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 approximately 94% of revenue, 93% of profit before tax and 95% of net assets.

Significant changes in our approach

Last year the previous auditor's report included one other key audit matter: identification of cash generating units and allocation of goodwill, which is not included in our report this year as there have been no changes to the Group's reporting segments or cash generating units during the year ended 31 December 2018.

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
- 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 12 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.

Revenue recognition

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 cut-off and occurrence for revenue recorded within November and December 2018 and other one-off material revenue transactions. 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 also considered any potential effect of Brexit. We tested a sample of individual sales transactions and traced to despatch notes and subsequent cash receipt or other supporting documents. We performed analytical reviews to identify any unusual or one-off material revenue transactions. We identified and considered the impact of any credit notes or inventory returns occurring after year-end, including evaluating the impact of any material overdue debts from customers.
Key observations	We were satisfied that the revenue recognition policies have been applied appropriately. Based on the work performed we concluded that revenue has been recorded appropriately.

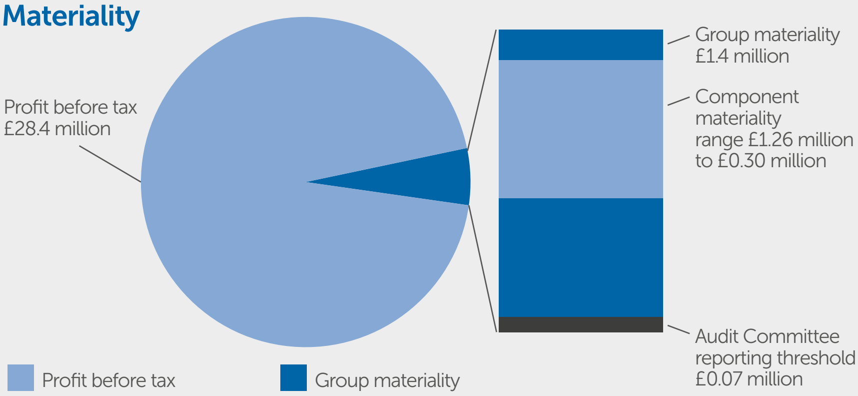
Our application of materiality

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
Materiality	£1.4 million (2017: £1.2 million)	£1.26 million (2017: £1.08 million)
Basis for determining materiality	Approximately 5% of profit before tax	The Parent Company materiality represents less than 1% of the Group's 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 £70,000 (2017: £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 94% (2017: 97%) of the Group's revenue, 93% (2017: 96%) of the Group's profit before tax and 95% (2017: 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 £0.3 millions to £1.26 millions (2017: £0.52 millions to £1.08 millions).

The Group audit team are responsible for the audit of all components within the Group except for Germany, 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.

Our application of materiality continued

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.

We have nothing to report in respect of these matters.

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 FRC's website at: www.frc.org.uk/auditors responsibilities. This description forms part of our auditor's report.

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
- 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 of 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
- 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
- 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.

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.

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

19 April 2019

Consolidated Income Statement
For the year ended 31 December 2018

	Note	Year ended 31 December 2018 Before exceptional items £'000	Exceptional items (Note 6) £'000	Total £'000	Year ended 31 December 2017 Total £'000
Revenue	4	**102,598**	**–**	**102,598**	96,908
Cost of sales		**(39,192)**	**–**	**(39,192)**	(38,504)
Gross profit		**63,406**	**–**	**63,406**	58,404
Distribution costs		**(1,316)**	**–**	**(1,316)**	(1,130)
Administration costs		**(33,572)**	**(402)**	**(33,974)**	(32,184)
Other income		**104**	**–**	**104**	150
Profit from operations	4, 5	**28,622**	**(402)**	**28,220**	25,240
Finance income	11	**378**	**–**	**378**	147
Finance costs	12	**(164)**	**–**	**(164)**	(110)
Profit before taxation		**28,836**	**(402)**	**28,434**	25,277
Income tax	13	**(5,784)**	**–**	**(5,784)**	(5,143)
Profit for the year attributable to equity holders of the parent		**23,052**	**(402)**	**22,650**	20,134
Earnings per share					
Basic	15	**10.82p**	**(0.19p)**	**10.63p**	9.52p
Diluted	15	**10.67p**	**(0.19p)**	**10.48p**	9.39p

The above results relate to continuing operations.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2018

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Profit for the year	**22,650**	20,134
Items that will potentially be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations	**466**	2,187
(Loss)/gain arising on cash flow hedges	**(3,064)**	4,192
Other comprehensive (expense)/income for the year	**(2,598)**	6,379
Total comprehensive income for the year attributable to equity holders of the parent	**20,052**	26,513

Consolidated Statement of Financial Position
At 31 December 2018

	Note	2018 £'000	2017 £'000
Assets			
Non-current assets			
Acquired intellectual property rights	16	**9,673**	9,675
Software intangibles	16	**2,548**	3,078
Development costs	16	**3,204**	2,135
Goodwill	19	**42,145**	41,801
Property, plant and equipment	17	**18,124**	17,019
Deferred tax assets	18	**177**	199
Trade and other receivables	21	**415**	286
		76,286	74,193
Current assets			
Inventories	20	**14,800**	11,073
Trade and other receivables	21	**27,172**	20,950
Current tax assets		**813**	48
Cash and cash equivalents	22	**76,391**	62,454
		119,176	94,525
Total assets		**195,462**	168,718
Liabilities			
Current liabilities			
Trade and other payables	23	**14,643**	10,547
Current tax liabilities		**3,863**	2,290
Other taxes payable		**–**	15
		18,506	12,852
Non-current liabilities			
Trade and other payables	23	**655**	310
Deferred tax liabilities	18	**3,303**	3,120
		3,958	3,430
Total liabilities		**22,464**	16,282
Net assets		**172,998**	152,436
Equity			
Share capital	27	**10,674**	10,632
Share premium		**35,192**	34,778
Share-based payments reserve		**7,333**	4,676
Investment in own shares	28	**(156)**	(152)
Share-based payments deferred tax reserve		**708**	815
Other reserve	28	**1,531**	1,531
Hedging reserve	28	**(2,406)**	658
Translation reserve	28	**3,289**	2,823
Retained earnings		**116,833**	96,675
Equity attributable to equity holders of the parent		**172,998**	152,436

The Financial Statements of Advanced Medical Solutions plc (registration number 2867684) on pages 70 to 100 were approved by the Board of Directors and authorised for issue on 18 April 2019 and were signed on its behalf by:

Chris Meredith
Chief Executive Officer

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 2017	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 profit for the year to 31 December 2018	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**22,650**	**22,650**
Other comprehensive (expense)/income	**–**	**–**	**–**	**–**	**–**	**–**	**(3,064)**	**466**	**–**	**(2,598)**
Total comprehensive (expense)/income	**–**	**–**	**–**	**–**	**–**	**–**	**(3,064)**	**466**	**22,650**	**20,052**
Share-based payments	**–**	**–**	**1,659**	**–**	**(107)**	**–**	**–**	**–**	**–**	**1,552**
Share options exercised	**42**	**414**	**998**	**–**	**–**	**–**	**–**	**–**	**–**	**1,454**
Shares purchased by EBT	**–**	**–**	**–**	**(600)**	**–**	**–**	**–**	**–**	**–**	**(600)**
Shares sold by EBT	**–**	**–**	**–**	**596**	**–**	**–**	**–**	**–**	**–**	**596**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,492)**	**(2,492)**
At 31 December 2018	**10,674**	**35,192**	**7,333**	**(156)**	**708**	**1,531**	**(2,406)**	**3,289**	**116,833**	**172,998**

Consolidated Statement of Cash Flows
For the year ended 31 December 2018

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Cash flows from operating activities		
Profit from operations	**28,220**	25,240
Adjustments for:		
Depreciation	**2,159**	2,053
Amortisation – intellectual property rights	**81**	134
– software intangibles	**593**	415
– development costs	**325**	380
(Increase)/decrease in inventories	**(3,707)**	505
Increase in trade and other receivables	**(6,813)**	(8,627)
Increase in trade and other payables	**1,692**	73
Share-based payments expense	**1,659**	1,279
Taxation	**(3,810)**	(4,486)
Net cash inflow from operating activities	**20,399**	16,966
Cash flows from investing activities		
Purchase of software	**(304)**	(958)
Capitalised research and development	**(1,392)**	(860)
Purchases of property, plant and equipment	**(3,062)**	(2,901)
Disposal of property, plant and equipment	**78**	264
Interest received	**377**	147
Net cash used in investing activities	**(4,303)**	(4,308)
Cash flows from financing activities		
Dividends paid	**(2,492)**	(2,049)
Issue of equity shares	**430**	809
Shares purchased by EBT	**(600)**	(484)
Shares sold by EBT	**596**	484
Interest paid	**(164)**	(110)
Net cash used in financing activities	**(2,230)**	(1,350)
Net increase in cash and cash equivalents	**13,866**	11,308
Cash and cash equivalents at the beginning of the year	**62,454**	51,125
Effect of foreign exchange rate changes	**71**	21
Cash and cash equivalents at the end of the year	**76,391**	62,454

1 Reporting entity

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

The Company's Ordinary Shares are traded on the AIM market of the London Stock Exchange plc. The Consolidated Financial Statements of the Company for the 12 months ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the 'Group').

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

2 Basis of preparation

The Group accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the EU. The Financial Statements have been prepared on the historical cost basis of accounting except as disclosed in the accounting policies set out below.

The individual Financial Statements for each Group Company are presented in the currency of the primary economic environment in which it operates (its 'functional currency'). For the purpose of the Consolidated Financial Statements, the results and financial position of each Group Company are expressed in Pounds Sterling, which is the functional currency of the Company, and the presentation currency for the Consolidated Financial Statements.

In carrying out their duties in respect of going concern, the Directors have carried out a review of the Group's financial position and cash flow forecasts for the next 12 months. These have been based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the current economic environment.

With regards to the Group's financial position, it had cash and cash equivalents at the year-end of £76.4 million although this reduced subsequent to year-end as the Group acquired Sealantis for US$25 million. In December 2018, the Group secured a new £80 million, multi-currency credit facility with a £20 million accordion option. The credit facility is provided jointly by HSBC and The Royal Bank of Scotland and is in place until December 2023. 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 0.60% and 1.70% depending on the Group's net debt to EBITDA ratio.

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

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, including Brexit. 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:

- IFRS 9, Financial Instruments: Classification and measurement
- Amendments to IFRS 2, Classification and Measurement of Share-based payment Transactions
- IFRIC 22, Foreign Currency Transactions and Advance Consideration

IFRS 15 was effective for annual periods beginning 1 January 2018 and replaced IAS 11 Construction Contracts and IAS 18 Revenue. The Group decided to adopt the standard early with effect for the year ended 31 December 2017.

3 Accounting policies

Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements, in conformity with adopted IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these Financial Statements, no areas of critical accounting judgement or key sources of estimation uncertainty have been identified, including those in relation to a no deal Brexit.

Basis of consolidation

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

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

Business combinations

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

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

Goodwill

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

Revenue recognition

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. 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 2018, £2.3 million (2017: £3.3 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.

3 Accounting policies continued

Provisions

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

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position 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 Statement of Financial Position 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 in order to confirm the principle of an 'economic relationship' exists. 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.

In accordance with IFRS 9's transition provisions for hedge accounting, the Group has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 January 2018. The Group's qualifying hedging relationships in place as at 1 January 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on 1 January 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Group has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

Taxation

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

The income tax payable is based on an estimation of the amount due on the taxable profit for the year. Taxable profit is different from profit before tax as reported in the Income Statement because it excludes items of income or expenditure which are not taxable or deductible in the year as a result of either the nature of the item or the fact that it is taxable or deductible in another period. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the Statement of Financial Position 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, usually not exceeding 18 years. In determining the useful economic life each asset is reviewed separately and consideration given to the period over which the Group expects to derive economic benefit from the asset.

Development costs

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

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

Where development expenditure results in new or substantially improved products or processes and it is probable that recovery will take place, it is capitalised and amortised on a straight-line basis over the product's useful life starting from the date on which serial production commences, which is between one and ten years. Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives, which is between three and 20 years.

Regulatory certification costs

Expenditure on regulatory certification costs, where the certificate allows a product to be sold into a market for a period of time greater than one year, is capitalised once it can be demonstrated that the product is clearly identifiable, technically and commercially feasible, will generate future economic benefits, that the certification costs of the asset can be measured reliably and the Group has sufficient resources to complete certification. Expenditure capitalised is stated as the cost of materials less accumulated amortisation. Internal costs relating to regulatory certification costs are not capitalised unless they can be identified as directly attributable to the certification process. Capitalised certification costs are amortised over the term of the certificate which is deemed to be the useful economic life.

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 useful economic 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 Statement of Financial Position at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

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

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

No depreciation is provided on freehold land.

Impairment of tangible and intangible assets

The carrying amount of the Group's assets other than inventories and deferred tax assets, are reviewed at each Statement of Financial Position 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.

3 Accounting policies continued

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 the current market assessments of the time.

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
- Where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

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

Recognition and valuation of financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and cash deposits and amounts under short-term guarantees, usually three months or less, that are held for the purpose of meeting short-term cash commitments and are subject to insignificant risk in change in value and which are readily convertible to a known amount of cash.

Investments

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

Under IFRS 9 'Financial instruments', 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 stated initially at fair value and subsequent to initial recognition they are measured at amortised cost including a provision for expected credit losses. The Group measures the provision at an amount equal to lifetime expected credit losses, estimated by reference to past experience and relevant forward-looking factors. The Group writes off a trade receivable when there is objective evidence that the debtor is in significant financial difficulty and there is no realistic prospect of recovery, for example, when a debtor enters bankruptcy or financial reorganisation.

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 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 Statement of Financial Position 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 Statement of Financial Position. 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 Statement of Financial Position 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 2018, 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.

3 Accounting policies continued

Employee Benefit Trusts

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

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

In compliance with IAS 32 'Financial Instruments: Presentation Group', shares held by the EBT are included in the Consolidated Statement of Financial Position 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):

- Annual Improvements to IFRSs: 2015–17 Cycle, IFRS 3, IFRS 11, IAS, IAS 23 – effective for accounting periods beginning on or after 1 January 2019
- 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

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 will 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 has chosen not to undertake this option.

As at 31 December 2018, 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 £0.4 million would have been recognised in place of the operating lease charge of £1.3 million. In addition, a right-of-use asset of £9.7 million and a largely offsetting lease liability of approximately £10.0 million would have been recognised in the Statement of Financial Position.

4 Segment information

During the year ended 31 December 2018, the Group continued to operate under two business units. The Branded Business Unit focused on selling, marketing and innovation of all AMS branded products, whether sold directly by our sales teams or through our distributors. The OEM Business Unit focused on the distribution, marketing and innovation of the Group's products that are supplied to our medical device partners under their brands. Our business unit structure aims to enhance focus, improve marketing efficiencies and support strategic initiatives of the Group and is the level at which the Board reviews and evaluates performance.

The Group has identified some significant benefits accessible by implementing a realignment to our Business Units. The changes include the transfer of ActivHeal (£6.3 million sales in 2018) from Branded to OEM, and the renaming of the Business Units to Surgical and Woundcare respectively to better reflect the nature of the business. The new structure was implemented in January 2019 and will be presented in this way from the H1 2019 results onwards.

Under the new structure, our Surgical Unit (previously the Branded Unit) will only include the sales, marketing, research, development and innovation of all our surgical products. Woundcare (previously the OEM Unit) will now include all advanced woundcare sales, marketing, research, development and innovation of all woundcare devices, regardless of whether they are sold under an AMS or a partner brand name.

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

Year ended 31 December 2018	Branded £'000	OEM £'000	Consolidated £'000
Revenue	**62,060**	**40,538**	**102,598**
Result			
Adjusted segment operating profit	**18,273**	**10,990**	**29,263**
Amortisation of acquired intangibles	**(76)**	**(5)**	**(81)**
Segment operating profit	**18,197**	**10,985**	**29,182**
Unallocated expenses			**(560)**
Exceptional costs			**(402)**
Operating profit			**28,220**
Finance income			**378**
Finance costs			**(164)**
Profit before tax			**28,434**
Tax			**(5,784)**
Profit for the year			**22,650**

At 31 December 2018	Branded £'000	OEM £'000	Consolidated £'000
Other information			
Capital additions:			
Software intangibles	**170**	**134**	**304**
Research & development	**815**	**577**	**1,392**
Property, plant and equipment	**1,731**	**1,331**	**3,062**
Depreciation and amortisation	**(1,761)**	**(1,397)**	**(3,158)**
Statement of Financial Position			
Assets			
Segment assets	**132,234**	**62,709**	**194,943**
Unallocated assets			**519**
Consolidated total assets			**195,462**
Liabilities			
Segment liabilities	**14,235**	**8,229**	**22,464**

Year ended 31 December 2017	Branded £'000	OEM £'000	Consolidated £'000
Revenue	55,244	41,664	96,908
Result			
Adjusted segment operating profit	14,461	11,363	25,824
Amortisation of acquired intangibles	(125)	(9)	(134)
Segment operating profit	14,336	11,354	25,690
Unallocated expenses			(450)
Exceptional costs			–
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

4 Segment information continued

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)
Statement of Financial Position			
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

Geographical 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 2018 £'000	Year ended 31 December 2017 £'000
United Kingdom	**18,447**	17,266
Germany	**19,416**	19,062
Europe excluding United Kingdom and Germany	**23,987**	22,939
United States of America	**37,317**	35,330
Rest of World	**3,431**	2,311
	102,598	96,908

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

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
United Kingdom	**120,501**	98,305
Germany	**66,485**	65,212
Europe excluding United Kingdom and Germany	**5,765**	4,743
United States of America	**2,711**	458
	195,462	168,718

5 Profit from operations

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Profit from operations is arrived at after charging:		
Depreciation of property, plant and equipment	**2,159**	2,053
Amortisation of:		
– acquired intellectual property rights	**81**	134
– software intangibles	**593**	415
– development costs	**325**	380
Operating lease rentals – plant and machinery	**225**	248
– land and buildings	**1,031**	1,005
Research and development costs expensed to the income statement	**3,079**	2,052
Cost of inventories recognised as expense	**37,927**	37,336
Write down of inventories expensed	**780**	628
Staff costs	**33,559**	29,920
Net foreign exchange loss	**88**	2,427

6 Exceptional items

During 2018, £402,000 of exceptional costs were incurred mainly relating to the acquisition of Sealantis Ltd (2017: £nil).

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 2018 £'000	Year ended 31 December 2017 £'000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	**20**	18
Fees payable to the Company's auditor and their associates for other audit services to the Group and the audit of the Company's subsidiaries	**105**	97
Total audit fees	**125**	115
Audit related assurance services	**14**	13
Other services	**7**	6
Total non-audit fees	**21**	19
	146	134

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 services 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 2018 Number	Year ended 31 December 2017 Number
Production	**353**	343
Research and development	**39**	36
Sales and marketing	**137**	128
Administration	**100**	96
	629	603

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Staff costs for all employees, including Executive Directors, consists of:		
Wages and salaries	**26,699**	23,697
Social Security costs	**3,983**	3,853
Pension costs	**1,218**	1,091
Share-based payments (see Note 29)	**1,659**	1,279
	33,559	29,920

9 Directors' emoluments

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Remuneration for management services	**902**	1,046
Pension	**49**	48
Amounts paid to third parties	**67**	66
Share-based payments	**418**	395
	1,436	1,555

The Group's highest paid Director is disclosed in the Remuneration Report on page 58.

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 2018 £'000	Year ended 31 December 2017 £'000
Salaries and short-term employee benefits	**2,109**	2,286
Pension	**107**	100
Share-based payments	**750**	740
	2,966	3,126

11 Finance income

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Bank interest	**378**	147

12 Finance costs

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Amortisation of facility fees	**164**	110

13 Taxation

a) Analysis of charge for the year

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Current tax:		
Tax on ordinary activities – current year	**5,859**	5,397
Tax on ordinary activities – prior year	**(126)**	(293)
	5,733	5,104
Deferred tax:		
Tax on ordinary activities – current year	**107**	39
Tax on ordinary activities – prior year	**(56)**	–
	51	39
Tax charge for the year	**5,784**	5,143

b) Factors affecting tax charge for the year

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.

The tax assessed for the year is lower (2017: lower) than the weighted average Group tax rate of 21.08% (2017: 21.91%) as explained below:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Profit before taxation	**28,434**	25,277
Weighted average Group tax rate 21.08% (2017: 21.91%)	**5,994**	5,538
Effects of:		
Expenses not deductible for tax purposes and other timing differences	**(22)**	1
Patent Box Relief	**(318)**	(310)
Write off of intangible assets	**210**	170
Share-based payments	**102**	37
Adjustments in respect of prior year – current tax	**(126)**	(293)
Adjustments in respect of prior year and rate changes – deferred tax	**(56)**	–
Taxation	**5,784**	5,143

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 Statement of Financial Position date and, therefore, UK 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 £107,000 surplus: (2017: £356,000 deficit).

14 Dividends

Amounts recognised as distributions to equity holders in the period:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Final dividend for the year ended 31 December 2017 of 0.75p (2016: 0.62p) per Ordinary Share	**1,591**	1,307
Interim dividend for the year ended 31 December 2018 of 0.42p (2017: 0.35p) per Ordinary Share	**901**	742
	2,492	2,049
Proposed final dividend for the year ended 31 December 2018 of 0.90p (2017: 0.75p) per Ordinary Share	**1,921**	1,591

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, based on statutory earnings and adjusted earnings, is based on the following data:

Number of shares	Year ended 31 December 2018 '000	Year ended 31 December 2017 '000
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	**213,146**	211,563
Effect of dilutive potential Ordinary Shares: share options, deferred share bonus, LTIPs	**2,911**	2,760
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	**216,057**	214,323

	£'000	£'000
Profit for the year attributable to equity holders of the parent	**22,650**	20,134
Exceptional costs	**402**	–
Amortisation of acquired intangible assets	**81**	134
Adjusted profit for the year attributable to equity holders of the parent pre exceptional costs	**23,132**	20,268

Earnings per share	pence	pence
Basic – pre exceptional	**10.82**	9.52
Basic – post exceptional	**10.63**	9.52
Diluted – pre exceptional	**10.67**	9.39
Diluted – post exceptional	**10.48**	9.39
Adjusted basic (before exceptional items)	**10.85**	9.58
Adjusted diluted (before exceptional items)	**10.71**	9.46
Adjusted basic (post exceptional items)	**10.66**	9.58
Adjusted diluted (post exceptional items)	**10.52**	9.46

16 Acquired intellectual property rights, software intangibles and development costs

	Acquired intellectual property rights £'000	Software intangibles £'000	Development and recertification costs £'000	Total £'000
2018				
Cost				
At beginning of year	**13,237**	**4,711**	**4,606**	**22,554**
Additions	**–**	**304**	**1,392**	**1,696**
Disposals/impairment	**–**	**(139)**	**–**	**(139)**
Exchange differences	**79**	**(6)**	**(1)**	**72**
Transfer of asset to property, plant and equipment	**–**	**(225)**	**–**	**(225)**
At end of year	**13,316**	**4,645**	**5,997**	**23,958**
Amortisation				
At beginning of year	**3,562**	**1,633**	**2,471**	**7,666**
Charged in the year	**81**	**593**	**325**	**999**
Disposals/impairment	**–**	**(138)**	**–**	**(138)**
Exchange differences	**–**	**9**	**(3)**	**6**
At end of year	**3,643**	**2,097**	**2,793**	**8,533**
Net book value				
At 31 December 2018	**9,673**	**2,548**	**3,204**	**15,425**

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' and GENTA-COLL® brand name which are being amortised over ten and 15 years respectively with three and eight 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 £9,283,000. In reaching this assessment, the Directors have considered that the RESORBA® brand has existed for over 80 years and is widely recognised as a market leader in the surgical market.

	Acquired intellectual property rights £'000	Software intangibles £'000	Development costs £'000	Total £'000
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

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	Total £'000
2018						
Cost						
At beginning of year	**5,321**	**12**	**25,807**	**752**	**1,139**	**33,031**
Additions	**604**	**–**	**2,306**	**152**	**–**	**3,062**
Disposals	**–**	**–**	**(473)**	**(13)**	**–**	**(486)**
Transfer of assets from intangible assets	**–**	**–**	**225**	**–**	**–**	**225**
Exchange adjustment	**37**	**–**	**52**	**3**	**7**	**99**
At end of year	**5,962**	**12**	**27,917**	**894**	**1,113**	**35,931**
Depreciation						
At beginning of year	**801**	**10**	**14,436**	**441**	**324**	**16,012**
Provided for the year	**148**	**–**	**1,652**	**172**	**187**	**2,159**
Disposals	**–**	**–**	**(399)**	**(10)**	**–**	**(409)**
Exchange adjustment	**14**	**–**	**21**	**2**	**8**	**45**
At end of Year	**963**	**10**	**15,710**	**605**	**519**	**17,807**
Net book value						
At 31 December 2018	**4,999**	**2**	**12,207**	**289**	**627**	**18,124**

At 31 December 2018, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1,035,000 (2017: £388,000).

The net book value of plant and equipment includes £125,000 of plant and machinery (2017: £146,000) 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	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

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	Advanced capital allowances £'000	Intangible assets £'000	Research and development assets £'000	Total £'000
At 31 December 2016	684	(613)	(2,920)	(303)	(3,152)
Charge(credit) to income	34	26	25	(127)	(42)
Charge(credit) to equity	356	–	–	–	356
Exchange adjustment	–	–	(83)	–	(83)
At 31 December 2017	1,074	(587)	(2,978)	(430)	(2,921)
Charge/credit to income	110	76	25	(263)	(52)
Credit to equity	(107)	–	–	–	(107)
Exchange adjustment	–	–	(46)	–	(46)
At 31 December 2018	**1,077**	**(511)**	**(2,999)**	**(693)**	**(3,126)**

Certain deferred tax assets and liabilities have been offset where there is a legal, enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2018 £'000	2017 £'000
Deferred tax liabilities	**(3,303)**	(3,120)
Deferred tax assets	**177**	199
	(3,126)	(2,921)

19 Goodwill

	2018 £'000	2017 £'000
Cost		
At 1 January	**41,801**	40,337
Exchange differences	**344**	1,464
At 31 December	**42,145**	41,801

Two cash generating units (CGU) exist within the Branded segment whereby goodwill has been allocated. CGU1 has £1.8 million (2017: £1.8 million) of goodwill allocated, and CGU2 has goodwill and indefinite useful life intangible assets of £39.1 million and £9.3 million (2017: £38.8 million and £9.2 million) respectively.

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 CGU based upon the underlying identification of operations and assets to which the goodwill and intangibles relate to, as follows:

At 31 December 2018	**Goodwill £'000**	**Intangible assets with indefinite useful life £'000**	**Total £'000**
Branded: CGU1	**1,793**	**–**	**1,793**
CGU2	**39,141**	**9,283**	**48,424**
OEM	**1,211**	**–**	**1,211**
Consolidated	**42,145**	**9,283**	**51,428**

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

19 Goodwill continued

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 impact of Brexit outcomes is not considered to have a material impact upon the forecasts applied in the impairment review. The base 12-month projection is extrapolated using reasonable growth rates specific to each cash generating unit up to year five of between 0% and 14%, and with growth not exceeding the long-term average growth rate for the industry for years six to 20. Using a forecasting period of 20 years is deemed reasonable given the nature of the products sold by the CGUs. The growth rate would have to fall significantly in order for an impairment to be required. A discount rate of between 7.3% and 8.05% per annum (2017: between 6.5% and 7.25%), 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

	2018 £'000	2017 £'000
Raw materials	**6,526**	4,773
Work in progress	**3,373**	2,723
Finished goods	**4,901**	3,577
	14,800	11,073

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

	2018 £'000	2017 £'000
Total gross inventories	**16,552**	13,256
Inventory impairment	**(1,752)**	(2,183)
Net inventory	**14,800**	11,073

21 Trade and other receivables

	2018 £'000	2017 £'000
Current assets		
Trade receivables	**24,660**	19,041
Other receivables	**694**	186
Derivative financial instruments	**–**	381
Prepayments and accrued income	**1,817**	1,342
	27,171	20,950
Non-current assets		
Derivative financial instruments	**–**	277
Prepayments and accrued income	**415**	9
	415	286

	2018 £'000	2017 £'000
Amount receivable for the sale of goods	**24,937**	19,233
Loss allowance	**(277)**	(192)
Net trade receivables	**24,660**	19,041

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.

The Group believes that the unimpaired amounts that are past due are still collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk – a large proportion of debts overdue over 30 days were recovered post the Statement of Financial Position date. The Group does not hold any collateral or other credit enhancements over these balances. The carrying amount and ageing of these debtors is summarised below.

Ageing of overdue but not impaired receivables

	2018 £'000	2017 £'000
31 to 60 days overdue	**1,693**	832
61 to 90 days overdue	**146**	107
Total	**1,839**	939

Movement in loss allowance

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Balance at the beginning of the year	**192**	236
Impairment losses recognised	**126**	9
Amounts written off as uncollectible	**(8)**	(15)
Amounts recovered during the year	**(33)**	(38)
Balance at the end of the year	**277**	192

Analysis of customers

In the year ended 31 December 2018, one customer accounted for more than 10% of the Group's revenue (2017: one). This customer accounted for 16% of the Group's revenue in 2018 (2017: 14%).

22 Investments, cash and cash equivalents

	2018 £'000	2017 £'000
Cash and cash equivalents	**76,391**	62,454

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

	2018 £'000	2017 £'000
Current liabilities		
Trade payables	**3,962**	2,578
Other payables	**2,378**	2,051
Derivative financial instruments	**2,008**	–
Accruals and deferred income	**6,295**	5,918
	14,643	10,547
Non-current liabilities		
Other payables	**258**	310
Derivative financial instruments	**397**	–
	655	310

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 and 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 IFRS 9 'Financial Instruments' and (finance leases under IAS 17 'Leases').

Carrying value

	2018 £'000	2017 £'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**102,160**	81,690
Derivative instruments in designated hedge accounting relationships	**–**	658
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	**2,406**	–
Financial liabilities measured at amortised cost	**15,298**	10,857

In December 2018 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 £80 million
- There is an uncommitted accordion of an additional £20 million
- It is unsecured
- Facility will expire in December 2023
- The interest payable on drawings under the loan is based on inter-bank interest rates (EURIBOR or, if Sterling denominated LIBOR) plus a sliding scale margin determined by the Group's leverage: the margin is currently 0.60%
- 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:

	On demand or within one year £'000	Between one and two years £'000	Between two and five years £'000	Five years or more £'000	Total financial liabilities £'000	Interest rate %
2018						
Trade and other payables	**14,643**	**450**	**158**	**47**	**15,298**	**–**
At 31 December 2018	**14,643**	**450**	**158**	**47**	**15,298**	**–**

	On demand or within one year £'000	Between one and two years £'000	Between two and five years £'000	Five years or more £'000	Total financial liabilities £'000	Interest rate %
2017						
Trade and other payables	10,547	53	158	99	10,857	–
At 31 December 2017	10,547	53	158	99	10,857	–

(b) Interest rate and currency of financial assets

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

Investments and cash and cash equivalents

	Floating £'000	Non-interest bearing £'000	Total %
Currency			
Sterling	**48,321**	**25,059**	**73,380**
US Dollar	**334**	**1,279**	**1,613**
Euro	**1,340**	**58**	**1,398**
At 31 December 2018	**49,995**	**26,396**	**76,391**

	Floating £'000	Non-interest bearing £'000	Total %
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

Trade and other receivables

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

	2018 £'000	2017 £'000
Sterling	**11,396**	8,545
US Dollar	**12,636**	8,228
Euro	**3,406**	4,177
	27,438	20,950

The financial assets all mature within one year.

(c) Currency exposures

At 31 December 2018, the Group had unhedged US Dollar currency exposures of £nil (2017: £nil) and unhedged Euro currency exposures of £nil (2017: £nil).

Risk sensitivity

The Group estimates that a 10% movement in the £:US$ or £:Euro exchange rate would have impacted 2018 Sterling revenues by approximately 3.6% and 2.5% respectively and in the absence of any hedging this would have had an impact on profit of 3.0% and 0.7%.

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	
	2018 USD:£1	2017 USD:£1	**2018 USD '000**	2017 USD '000	**2018 £'000**	2017 £'000
Cash flow hedges						
Sell US dollars						
Less than 3 months	**1.319**	1.382	**10,400**	8,500	**(230)**	(132)
3 to 6 months	**1.432**	1.369	**7,500**	6,500	**(589)**	(39)
7 to 12 months	**1.423**	1.283	**17,000**	14,800	**(1,175)**	693
Over 12 months	**1.407**	1.289	**7,000**	5,900	**(397)**	277
			41,900	35,700	**(2,391)**	799

24 Financial instruments continued

	Average contract rate		Notional principle		Fair value	
	2018 EUR:£1	2017 EUR:£1	**2018 EUR '000**	2017 EUR '000	**2018 £'000**	2017 £'000
Sell Euros						
Less than 3 months	**1.114**	1.215	**600**	1,000	**–**	(66)
3 to 6 months	**1.116**	1.177	**960**	1,100	**(4)**	(46)
7 to 12 months	**1.110**	1.138	**1,920**	1,800	**(9)**	(29)
Over 12 months	**1.110**	–	**320**	–	**(2)**	–
			3,800	3,900	**(15)**	(141)

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 Statement of Financial Position date and the contract value of the instruments. No profits or losses are included in operating profit in the year (2017: £nil) in respect of FVTPL contracts. The loss of £3,064,000 (2017: 4,192,000 gain) in respect of 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	
	2018	2017	**2018**	2017	**Average %**	Closing %
Currency						
US Dollar	**1.3374**	1.2880	**1.28**	1.3517	4	(5)
Euro	**1.1296**	1.1459	**1.1179**	1.1271	(1)	(1)

27 Share capital

Number of Ordinary Shares of 5p each	Allotted, called up and fully paid £'000
At 1 January 2017	210,474
Share options exercised	2,168
At 31 December 2017	212,642
Share options exercised	831
At 31 December 2018	**213,473**

During the year, employees exercised share options and options over LTIPs for 642,121 shares (2017: 1,981,490) at a range of option prices from 34p to 247p.

During the year, 353,045 (2017: 236,640) shares were issued under the Deferred Share Bonus Scheme and the Deferred Annual Bonus Scheme at the nominal value of 5p per share. At the Statement of Financial Position date, 424,652 (2017: 412,583) 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 2017	10,524
Share options exercised	108
At 31 December 2017	10,632
Share options exercised	42
At 31 December 2018	**10,674**

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.

Hedging reserve

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

Translation reserve

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

A £466,000 gain has been recorded in the translation reserve during the period, which would otherwise have been recognised in Administration costs (2017: £2,187,000 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:

	2018 £'000	2017 £'000
Unapproved Executive Share Option Scheme, Enterprise Management Incentive Scheme and Company Share Option Scheme	**136**	37
Long-Term Incentive Plan	**936**	908
Deferred Share Bonus Scheme and Deferred Annual Bonus Scheme	**587**	334
	1,659	1,279

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	20/04/2009	15/04/2011	08/09/2011	10/05/2012	26/04/2013	21/05/2013
Share price at grant date	33.75p	88.0p	86.25p	69.08p	77.5p	74.0p
Exercise price	33.75p	88.0p	86.25p	69.08p	77.5p	74.0p
Expected life	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
Risk-free rate	2.40%	1.92%	1.92%	0.39%	0.36%	0.49%
Expected volatility	34%	18%	18%	34%	36%	36%
Expected dividend yield	0%	0.7%	0.7%	0.7%	0.7%	0.7%
Fair value of options	6p	9p	9p	13p	15p	14p

Grant date	15/04/2014	19/09/2014	02/04/2015	18/04/2016	06/04/2017	13/04/2018
Share price at grant date	115.75p	121.75p	132.0p	184.6p	246.7p	308.0p
Exercise price	115.75p	121.75p	132.0p	184.6p	246.7p	308.0p
Expected life	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
Risk-free rate	0.80%	0.80%	0.80%	0.67%	0.18%	0.94%
Expected volatility	36%	36%	31%	25%	23%	34%
Expected dividend yield	0.7%	0.7%	0.7%	0.4%	0.4%	0.7%
Fair value of options	23p	24p	22p	25p	29p	41p

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 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 2018:

Date of grant	Option price (p)	Weighted average price at exercise (p)	Number of options as at 1 January 2018	Remaining life 1 January 2018	Issued	Lapsed	Exercised	Number of options as at 31 December 2018	Remaining life 31 December 2018
Unapproved Executive Share Option Scheme									
10.05.12	69.08		5,500	4.4	–	–	–	5,500	3.4
15.04.14	115.75	328.33	140,000	6.3	–	–	(18,000)	122,000	5.3
19.09.14	121.75	326.99	53,720	6.7	–	–	(20,360)	33,360	5.7
02.04.15	132.00	312.03	285,296	7.2	–	–	(145,750)	139,546	6.2
18.04.16	184.60	300.00	667,213	8.3	–	(45,742)	(20,383)	601,088	7.3
06.04.17	246.70	300.00	509,710	9.3	–	(6,887)	(2,243)	500,580	8.3
13.04.18	308.00	–	–	–	427,725	(23,421)	–	404,304	9.3
Enterprise Management Incentive Scheme									
20.04.09	33.75	330.50	3,000	1.3	–	–	(3,000)	–	–
16.04.10	42.00	326.55	48,000	2.3	–	–	(10,000)	38,000	1.3
Company Share Option Plan									
15.04.11	88.00		6,000	3.3	–	–	–	6,000	2.3
08.09.11	86.25		1,000	3.7	–	–	–	1,000	2.7
10.05.12	69.08		1,000	4.4	–	–	–	1,000	3.4
26.04.13	77.50		1,000	5.3	–	–	–	1,000	4.3
21.05.13	74.00	317.49	3,100	5.4	–	–	(3,100)	–	–
15.04.14	115.75	323.79	53,000	6.3	–	–	(28,600)	24,400	5.3
19.09.14	121.75		24,640	6.7	–	–	–	24,640	5.7
02.04.15	132.00	312.37	99,704	7.2	–	–	(81,977)	17,727	6.2
18.04.16	184.60		148,053	8.3	–	–	–	148,053	7.3
06.04.17	246.70		223,163	9.3	–	(11,241)	–	211,922	8.3
13.04.18	308.00		–	–	171,754	(15,278)	–	156,476	9.3
			2,273,099		599,479	(102,569)	(333,413)	2,436,596	

The weighted average remaining contractual life of the options outstanding at 31 December 2018 is 7.7 years (2017: 8.0 years).

	2018		2017	
	Number of Options	Weighted average exercise price (p)	Number of Options	Weighted average exercise price (p)
Outstanding at beginning of the year	2,273,099	183.50	2,511,108	138.49
Issued	599,479	308.00	762,425	246.70
Exercised	(333,413)	185.20	(802,523)	280.35
Lapsed	(102,569)	242.13	(197,911)	172.61
Outstanding at end of the year	2,436,596	219.12	2,273,099	183.50
Exercisable at end of the year	256,900	183.43	339,960	102.92

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	06/06/2014	02/04/2015	10/09/2015	18/04/2016	06/04/2017	02/11/2017	13/04/2018
Share price at grant date	117.0p	132.0p	151.5p	184.6p	246.7p	344.7p	308.0p
Exercise price	0p	0p	0p	0p	0p	0p	0p
Expected life	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk-free rate	0.80%	0.80%	0.80%	0.67%	0.18%	0.18%	0.94%
Expected volatility	36%	29%	27%	25%	23%	23%	25%
Expected dividend yield	0.7%	0.7%	0.7%	0.4%	0.4%	0.4%	0.4%
Probability of performance conditions	75%	80%	80%	64%	64%	64%	72%
Fair value of option	85.9p	64.4p	75.5p	159.0p	220.0p	220.0p	222.0p

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 52. The numbers shown are maximum entitlements and the actual number of shares issued (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 2018	Remaining life 1 January 2018	Issued	Lapsed	Exercised	Number of LTIPs at 31 Dec 2018	Remaining life 31 December 2018
Long-Term Incentive Plan									
	06.06.14	117.00	**87,483**	**6.5**	**–**	**–**	**(38,450)**	**49,033**	**5.5**
	02.04.15	132.00	**428,213**	**7.3**	**–**	**(54,389)**	**(270,258)**	**103,566**	**6.3**
	10.09.15	151.50	**300,329**	**7.7**	**–**	**(38,143)**	**–**	**262,186**	**6.7**
	18.04.16	184.60	**610,023**	**8.3**	**–**	**–**	**–**	**610,023**	**7.3**
	06.04.17	246.70	**452,469**	**9.3**	**459,855**	**–**	**–**	**912,324**	**8.3**
	02.11.17	344.70	**9,308**	**9.8**	**–**	**–**	**–**	**9,308**	**8.8**
	13.04.18	308.00	**–**	**–**	**364,645**	**–**	**–**	**364,645**	**9.3**
			1,887,825		**824,500**	**(92,532)**	**(308,708)**	**2,311,085**	

The weighted average remaining contractual life of the LTIPs outstanding at 31 December 2018 is 6.4 years (2017: 8.1 years).

	2018 Number of options	2017 Number of options
Outstanding at beginning of the year	**1,887,825**	2,853,648
Issued	**824,500**	469,163
Exercised	**(308,708)**	(1,178,967)
Lapsed	**(92,532)**	(256,019)
Outstanding at end of the year	**2,311,085**	1,887,825
Exercisable at end of the year	**49,033**	87,483

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

29 Share-based payments continued

Deferred Share Bonus Scheme (DSB)

The fair value of the DSB shares 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	11/05/2011	10/05/2012
Share price at grant date	18.25p	35.50p	34.00p	40.32p	83.00p	70.625p
Exercise price	0p	0p	0p	0p	0p	0p
Expected life	3.5 yrs	3.5 yrs	3 yrs	5 yrs	5 yrs	5 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk-free rate	5.00%	5.00%	2.40%	2.40%	1.92%	0.39%
Expected volatility	27%	38%	30%	34%	18%	34%
Expected dividend yield	0%	0%	0%	0%	0.7%	0.7%
Probability of performance conditions	100%	100%	100%	100%	100%	100%
Fair value of option	14p	30p	29p	34p	72p	61p

Grant date	02/07/2013	30/04/2014	29/04/2015	03/05/2016	02/05/2017	13/04/2018
Share price at grant date	74.125p	126.0p	141.5p	183.0p	264.1p	306.8p
Exercise price	0p	0p	0p	0p	0p	0p
Expected life	5 yrs	5 yrs	5 yrs	5 yrs	5 yrs	5 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk-free rate	0.69%	0.80%	0.80%	0.67%	0.18%	0.94%
Expected volatility	36%	36%	31%	25%	23%	25%
Expected dividend yield	0.7%	0.7%	0.7%	0.4%	0.4%	0.4%
Probability of performance conditions	100%	100%	100%	100%	100%	72%
Fair value of option	63p	110p	124p	160p	233p	222p

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

The entitlement to shares under the DSB is subject to a three-year holding period. Additionally, for certain levels of share matching, additional performance conditions also need to be achieved. The actual number of shares that will be matched will depend on these performance conditions being met. Details on the DSB are given on page 52.

	Date of grant	Market price at date of grant (p)	Number of DSB matching shares at 1 January 2018	Remaining life 1 January 2018	Issued	Lapsed	Exercised	Number of DSB matching shares at 31 December 2018	Remaining life 31 December 2018
Deferred Share Bonus Plan									
	12.04.07	18.25	**11,351**	**0.0**	**–**	**–**	**(164)**	**11,187**	**–**
	02.05.08	35.50	**13,640**	**0.3**	**–**	**–**	**–**	**13,640**	**–**
	23.04.09	34.00	**24,548**	**1.3**	**–**	**–**	**(5,132)**	**19,416**	**0.3**
	05.05.10	40.32	**23,560**	**2.3**	**–**	**–**	**(7,440)**	**16,120**	**1.3**
	11.05.11	83.00	**14,193**	**3.4**	**–**	**–**	**(4,335)**	**9,858**	**2.4**
	10.05.12	70.63	**16,930**	**4.4**	**–**	**–**	**(6,368)**	**10,562**	**3.4**
	02.07.13	74.13	**128,026**	**5.5**	**–**	**–**	**(25,956)**	**102,070**	**4.5**
	30.04.14	126.00	**92,916**	**6.3**	**–**	**–**	**(6,925)**	**85,991**	**5.3**
	29.04.15	141.50	**229,098**	**7.3**	**–**	**–**	**(88,047)**	**141,051**	**6.3**
	03.05.16	183.00	**323,815**	**8.3**	**–**	**(1,758)**	**(3,490)**	**318,567**	**7.3**
	02.05.17	264.10	**277,622**	**9.3**	–	**(2,263)**	**(2,990)**	**272,369**	**8.3**
	13.04.18	306.77	**–**	**–**	**290,008**	**(2,599)**	**(1,996)**	**285,413**	**9.3**
			1,155,699		**290,008**	**(6,620)**	**(152,843)**	**1,286,244**	

The weighted average remaining contractual life of the DSBs outstanding at 31 December 2018 is 6.9 years (2017: 7.4 years)

	2018 Number of options	2017 Number of options
Outstanding at beginning of the year	**1,155,699**	1,094,296
Issued	**290,008**	279,362
Exercised	**(152,843)**	(185,496)
Lapsed	**(6,620)**	(32,463)
Outstanding at end of the year	**1,286,244**	1,155,699
Exercisable at end of year	**268,844**	325,164

The exercise price of the matching shares is £nil.

Deferred Annual Bonus Scheme (DAB)

The fair value of the DSB 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	13/04/2018
Share price at grant date	115.4p	129.0p	184.6p	246.7p	308.0p
Exercise price	0p	0p	0p	0p	0p
Expected life	3 yrs	3 yrs	3 yrs	3 yrs	3yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk-free rate	0.80%	0.80%	0.67%	0.18%	0.94%
Expected volatility	31%	31%	25%	23%	25%
Expected dividend yield	0.7%	0.7%	0.4%	0.4%	0.4%
Probability of performance conditions	100%	100%	100%	100%	100%
Fair value of option	115p	129p	183p	250p	308p

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 they vest at the end of a three-year period from the time of grant.

29 Share-based payments continued

Date of grant	Market price at date of grant (p)	Number of DAB matching shares at 1 January 2018	Remaining life 1 January 2018	Issued	Lapsed	Exercised	Number of DAB matching shares at 31 December 2018	Remaining life 31 December 2018
Deferred Annual Bonus Plan								
21.05.2014	115.40	**520**	**6.3**	–	–	–	**520**	**5.3**
15.04.2015	129.00	**78,293**	**7.3**	–	–	**(57,446)**	**20,847**	**6.3**
18.04.2016	184.60	**89,888**	**8.3**	–	–	–	**89,888**	**7.3**
06.04.2017	246.70	**64,886**	**9.3**	–	–	–	**64,886**	**8.3**
13.04.2018	308.00	–	–	**63,037**	–	–	**63,037**	**8.8**
		233,587		**63,037**	–	**(57,446)**	**176,141**	

The weighted average remaining contractual life of the DABs outstanding at 31 December 2018 is 7.5 years (2017: 8.2).

	2018 Number of options	2017 Number of options
Outstanding at beginning of the year	**233,587**	219,845
Issued	**63,037**	64,886
Exercised	**(57,446)**	(51,144)
Lapsed	–	–
Outstanding at end of the year	**239,178**	233,587
Exercisable at end of the year	**520**	520

30 Commitments under operating leases

As at 31 December 2018, the Group had outstanding commitments under operating leases, which fall due as follows:

	2018		2017	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Amounts payable under operating leases:				
Within one year	**1,038**	**331**	1,034	206
In two to five years	**4,264**	**435**	4,245	131
After five years	**9,113**	–	10,147	4
	14,415	**766**	15,426	341

31 Related party transactions

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.

32 Subsequent events

On 31 January 2019, the Company announced the acquisition of Sealantis Limited, a developer of alginate-based tissue adhesive technology platform, for US$25 million (approximately £19 million). The acquisition was funded from existing cash reserves and the Company will pay royalties on future sales of existing products in development until the end of 2027. Given the proximity of the transaction to the announcement of the Group's financial statements, a full purchase price allocation exercise has not yet been completed and the valuation of the assets acquired is subject to amendment on finalisation of the fair value exercise. Acquired net assets have a provisional value of £0.3 million prior to fair value adjustments according to the management accounts of Sealantis Limited as at 31 January 2019. The remainder of the acquisition price will be allocated between intangible assets, including goodwill and other intangible assets, with a significant proportion representing products under development and related intellectual property. None of the goodwill is expected to be deductible for tax purposes.

Company Balance Sheet
At 31 December 2018

	Note	2018 £'000	2017 £'000
Non current assets			
Investments in subsidiaries	3	**52,147**	52,147
Loans and other financial assets		**4 15**	–
		52,562	52,147
Current assets			
Investments			
Trade and other receivables	4	**3,380**	2,722
Cash and cash equivalents		**71,676**	58,175
		75,056	60,897
Current liabilities			
Trade and other payables	5	**(7,411)**	(9,024)
Net current assets		**66,774**	51,873
Net assets		**119,188**	104,020
Equity shareholders' funds			
Share capital		**10,674**	10,632
Share premium		**35,192**	34,778
Share-based payments reserve		**7,333**	4,676
Investment in own shares		**(156)**	(152)
Retained earnings		**67,164**	54,086
Equity attributable to equity holders of the parent		**120,207**	104,020

Statement of Changes in Equity
For the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Investment in own shares £'000	Share-based payments £'000	Retained earnings £'000	Total £'000
At 1 January 2017	10,524	34,005	(152)	3,469	46,612	94,458
Share-based payments	–	–	–	1,279	–	1,279
Share options exercised	108	773	–	(72)	–	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	34,778	(152)	4,676	54,086	104,020
Share-based payments	–	–	–	1,659	–	1,659
Share options exercised	42	414	–	998	–	1,454
Shares purchased by EBT	–	–	(600)	–	–	(600)
Shares sold by EBT	–	–	596	–	–	596
Profit for the year	–	–	–	–	15,570	15,570
Dividends paid	–	–	–	–	(2,492)	(2,492)
At 31 December 2018	**10,674**	**35,192**	**(156)**	**7,333**	**67,164**	**120,207**

The financial statements of Advanced Medical Solutions Group plc (registration number 2867684) on pages 101 to 105 were approved by the Board of Directors and authorised for issue on 18 April 2019 and were signed on its behalf by:

C Meredith
Chief Executive Officer

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 the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

Critical judgements in applying the Company's accounting policies and areas of key estimation uncertainty

In the process of applying the Company's accounting policies, which are described below, no judgements have been made by the Directors, nor do any areas of key estimation uncertainty exist that have a significant effect on the amounts recognised in the Financial Statements.

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 Statement of Financial Position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the Statement of Financial Position 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 creditors

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

Finance charges

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

Financial instruments

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

Derivatives

The Company uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are recognised initially at fair value and re-measured at each period end. The gain or loss on re-measurement to fair value is recognised immediately in the Income Statement. The Company has elected not to apply hedge accounting. Forward currency contracts are recognised at fair value in the Statement of Financial Position 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 Statement of Financial Position date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates with a corresponding adjustment to the equity-settled employee benefits reserve.

2 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 2018 of £15,570,000 (2017: Profit of £9,523,000).

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 16 (2017: 14), all of whom were classified as Administration (2017: same). 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 2018 and 31 December 2018	**80,817**
Provisions for impairment	
At 1 January 2018 and 31 December 2018	**28,670**
Net Book value	
At 1 January 2018 and 31 December 2018	**52,147**

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

3 Investments in subsidiaries continued

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

Name	Country of operation	Proportion of voting rights and ordinary share capital held	Nature of business	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
Advanced Medical Solutions 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 (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
Advanced Medical Solutions BV	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
MPN Medizin Produkte Neustadt GmbH	Germany	100%#	Manufacture of medical products	Sierkdorfer Str. 15, 23730, Neustadt in Holstein, 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
Advanced Medical Solutions (USA) Inc	USA	100%¶	Marketing support of medical products	2711 Caterville Road, Suite 400, Wilmington, Newcastle, 19808, Delaware, USA

* Held indirectly through Advanced Medical Solutions Limited.
‡ Held indirectly through MedLogic Global Holdings Limited.
† Held indirectly through Advanced Medical Solutions (UK) Limited.
^ s.291 of German Commercial Code invoked: No consolidated financial statements prepared for the German companies.
¶ 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

	2018 £'000	2017 £'000
Due within one year		
Prepayments and accrued income	**413**	137
Other receivables	**74**	–
Amounts due from Group undertakings	**2,894**	2,585
	3,380	2,722

Amounts Owed by Group undertakings	2018 £'000	2017 £'000
At 1 January	**4,925**	5,639
Movement	**309**	(714)
At 31 December	**5,234**	4,925
Provisions for impairment		
At 1 January	**2,340**	2,340
At 31 December	**2,340**	2,340
Net book value		
At 31 December	**2,894**	2,585

5 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Amounts owed to Group undertakings	**3,922**	5,635
Accruals and deferred income	**3,474**	3,248
Derivative financial instruments	**15**	141
	7,411	9,024

6 Share capital

Details on the share capital of the Company are provided in Note 27 on page 94 to the Group's accounts.

7 Share-based payments

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

	2018 £'000	2017 £'000
Unapproved Executive Share Option Scheme, Enterprise Management Incentive Scheme and Company Share Option Scheme	**136**	37
Long-Term Incentive Plan	**936**	908
Deferred Share Bonus Scheme	**587**	334
	1,659	1,279

Details on the share-based payments of the Company are provided in Note 29 on pages 95 to 100 in the Notes to the Group's accounts.

Five Year Summary

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Consolidated Income Statement (Pre-exceptional)					
Revenue	**102.6**	96.9	82.6	68.6	63.0
Profit from operations	**28.6**	25.2	19.1	17.0	15.2
Profit attributable to equity holders of the parent	**23.1**	20.1	15.7	14.1	12.9
Basic earnings per share	**10.8p**	9.5p	7.5p	6.8p	6.2p
Consolidated Statement of Financial Position					
Net assets employed					
Non-current assets	**76.3**	74.2	70.1	62.7	66.8
Current assets	**119.2**	94.5	74.9	53.9	37.8
Total liabilities	**(22.5)**	(16.3)	(19.5)	(12.9)	(11.5)
Net assets	**173.0**	152.4	125.5	103.7	93.1
Shareholders' equity					
Share capital & investment in own shares	**10.5**	10.5	10.4	10.3	10.2
Share-based payments reserve	**7.3**	4.7	3.5	2.3	1.6
Share-based payments deferred tax reserve	**0.7**	0.8	0.5	0.4	0.3
Share premium account	**35.2**	34.8	34.0	33.2	32.8
Other reserve	**1.5**	1.5	1.5	1.5	1.5
Hedging reserve	**(2.4)**	0.6	(3.5)	(0.5)	(0.5)
Translation reserve	**3.3**	2.8	0.6	(8.2)	(4.9)
Retained equity	**116.8**	96.7	78.6	64.7	52.1
Equity attributable to equity holders of the parent	**173.0**	152.4	125.5	103.7	93.1

Notice is hereby given that the twenty-fifth Annual General Meeting of the Company will be held at 11.00 am on 5 June 2019 at Guildhall Room, 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 2018 (together with the Report of the Auditor thereon).
2. To approve the Directors' Remuneration Report for the year ended 31 December 2018.
3. To re-appoint Deloitte LLP as Auditor and to authorise the Directors to fix their remuneration.
4. To re-elect Penny Freer (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 re-elect Eddie Johnson (who formally retires and offers himself for re-appointment at the first AGM following his appointment) as a Director of the Company.
7. To declare a final dividend of 0.90p per Ordinary Share, payable on 14 June 2019 to shareholders on the register at close of business on 24 May 2019.

As Special Business:

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

8. To approve the Advanced Medical Solutions Group plc 2019 Share Option Plan (2019 SOP] THAT: (i) the rules of the 2019 SOP, described in the circular of which the notice containing this resolution forms a part and produced in draft to the meeting and, for the purposes of identification initialled by the Chairman of the meeting, be and are hereby approved and adopted; and (ii) the Directors be and are hereby authorised: (a) to make such modifications to the 2019 SOP as they may consider appropriate and to do all such other acts and things as they may consider appropriate to implement the 2019 SOP; and (b) to adopt further plans based on the 2019 SOP but modified to take account of local tax, exchange control or securities law in overseas territories, provided that any shares made available under such further plans are treated as counting against any limits on individual or overall participation in the 2019 SOP.
9. 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 £3,557,983 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.
10. Subject to the passing of Resolution 9 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 9 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 £1,067,395; 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.

As Special Business: continued

11. 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 10,673,951;

    (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

Eddie Johnson
Company Secretary

18 April 2019

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 pages 107 to 113 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 3 June 2019 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 3 June 2019 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
9. The draft rules of the Advanced Medical Solutions Group plc 2019 Share Option Plan (2019 SOP) will be available for inspection during normal business hours on Monday to Friday (excluding bank holidays) at our registered office and at the offices of Osborne Clarke LLP, One London Wall, London, EC2Y 5EB from the date of this document until the close of the AGM and at the place of the AGM for at least 15 minutes before the AGM and during the AGM.

Notes on Special Business

Resolution 8: Approval of Advanced Medical Solutions Group plc 2019 Share Option Plan (2019 SOP)

The Company's current Executive Share Option Scheme and Company Share Option Plan Old Plans are due to expire on 3 June 2019 and 2 June 2020 respectively and therefore shareholders are being asked to approve a replacement plan, the main features of which are set out in the Appendix 1 on pages 111 to 113 of this document. The Remuneration Committee of the Company considers the 2019 SOP to be an important means of motivating key employees and align their interests with those of the Company's shareholders. No new awards will be made under the Old Plans after the date of the AGM, provided shareholder approval is obtained for the 2019 SOP.

Resolution 9: Authority to allot Ordinary 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 £3,557,983 (representing 71,159,677 Ordinary Shares of 5p each). This amount represents approximately one-third of the issued Ordinary Share capital of the Company as at 29 March 2019, 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 2020 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.

Notes on Special Business continued

Resolution 10: 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 10 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 £1,067,395 (being 10% of the Company's issued Ordinary Share capital at 29 March 2019, 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 10 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 2020 or, if earlier, 15 months after the passing of the Resolution.

Resolution 11: 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 11, 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 £533,697 (representing 5% of the issued Ordinary Share capital of the Company as at 29 March 2019, the latest practicable date prior to publication of this Notice; representing 10,673,951 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 2020 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 2019, 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 2.8% of the Company's ordinary issued share capital.

Appendix 1

SUMMARY OF THE PRINCIPAL FEATURES OF THE ADVANCED MEDICAL SOLUTIONS GROUP PLC 2019 SHARE OPTION PLAN ("2019 SOP")

Eligibility

The 2019 SOP will be operated and administered by the remuneration committee of the Board of Directors of the Company ("**Remuneration Committee**"). The Remuneration Committee will determine who may participate in the 2019 SOP and this will extend to any employee, excluding any Executive Director, of the Company or any of the Company's subsidiaries (together the "**Group**").

Forms of Options

Options granted under the 2019 SOP may be with a nil-cost or other exercise price to acquire Ordinary Shares in the Company ("**Shares**"), which may include an option which satisfies the conditions of Schedule 4, Income Tax (Earnings and Pensions) Act 2003 ("**Option**").

Options will normally lapse on the date immediately before the tenth anniversary of the date of grant if they remain unexercised at that date.

Performance conditions

The Remuneration Committee may set and test performance conditions which may attach to Options. Performance conditions may be amended or substituted if one or more events occur which cause the Remuneration Committee to consider that an amended or substituted performance condition would be more appropriate.

In relation to the testing of the performance condition and the ultimate number of Shares subject to an Option that vest, the Remuneration Committee will have the right, in its absolute discretion, to reduce (down to zero, if appropriate) the number of Shares that would vest, taking account of the performance of the Company and the contribution of the participant over the performance period.

Grant of Options

Options may only be granted within the period of 42 days following the approval of the 2019 SOP by the Company's shareholders, the announcement of the Company's results for any period (whether full year results or interim results), from the date on which an individual becomes an eligible employee under the rules of the 2019 SOP or any day on which the Remuneration Committee determines that exceptional circumstances exist. If, during any such period, the Company is restricted from granting Options, Options may be made immediately following such restrictions ceasing to apply.

Terms of Options

Options may be granted over newly issued Shares, treasury Shares or Shares purchased in the market. Options are not transferable (other than on death). No payment will be required from participants for the grant of any Options.

Limits on the issue of Shares

The number of Shares which may be issued or issuable pursuant to rights granted in any 10 year period under the 2019 SOP and under any other employees' share plan adopted by the Company may not exceed 15% of the issued ordinary share capital of the Company from time to time.

Treasury Shares will be treated as newly issued for the purpose of these limits until such time as guidelines published by leading institutional investor representative bodies determine otherwise.

The above limits may be varied by the Remuneration Committee or Board, as appropriate, to take into account any variation in the Company's share capital from time to time.

Vesting of Options

The extent to which the performance conditions have been achieved and the level at which an Option consequently vests will normally be determined as soon as practicable after the end of any performance period (or on such later date as the Remuneration Committee determines).

At any time before or after the point at which an Option has vested, but the underlying Shares have yet to be issued or transferred to the participant, the Remuneration Committee may decide to pay a participant a cash amount equal to the value of the Shares he/she would otherwise have received.

Any Shares or cash that are to be issued, transferred or paid (as appropriate) to a participant in respect of a vested Option will be issued, transferred or paid (as appropriate) within 30 days of exercise.

Reduction for malus

The Remuneration Committee may take such steps as it considers appropriate to reduce the number of Options awarded (to nil if appropriate) and/or impose further conditions on the Options in certain circumstances. Such circumstances include, but are not limited to:

- a material misstatement of the Company's audited financial results;
- a serious failure of risk management by the Company, any Group member or a relevant Business Unit; or
- reputational damage to the Company, any Group member or a relevant business unit as a result of the Participant's misconduct or otherwise.

Cessation of employment

Where the participant ceases to be employed by any member of the Group prior to the vesting of an Option by reason of death, ill health, injury, disability, a sale of the entity that employs the Participant out of the Group, redundancy, or for any other reason at the Remuneration Committee's discretion (a "**Good Leaver**"), a participant's unvested Option will usually continue and the Option will vest on the normal vesting date, unless the Committee determines that the Option shall vest on such other date as the Committee may specify at the date of cessation.

The extent to which an unvested Option will vest for a Good Leaver will be determined by: (i) the extent to which any performance condition is satisfied at the end of any performance period or, as appropriate, at the date on which the participant ceases to be employed by a Group company; and (ii) unless the Remuneration Committee decide otherwise, pro-rating to reflect the period from the start of the performance period until the date of cessation of employment.

In the case of Good Leavers, Options will normally be exercisable from the date the Option may be exercised until the first anniversary of such date.

Options, whether vested or not, will lapse immediately where the participant is lawfully dismissed without notice and in all other circumstances to the extent that the Options do not vest.

Corporate events

On a change of control of the Company, the number of Shares in respect of which Option vests shall be determined by the Committee, to the extent to which any performance condition has been satisfied at the date of change of control and, unless the Remuneration Committee determines otherwise, pro-rating to reflect the period from the start of the performance period to the date of the relevant event (or such other relevant period). The Option, to the extent vested, will then be exercisable for a period of one month and will then lapse.

Alternatively, the Remuneration Committee may permit or, in the case of an internal reorganisation or, if the Remuneration Committee determines, any other event, require Options to be exchanged for equivalent options which relate to Shares in a different company.

If other corporate events occur such as a demerger, special dividend or other event which, in the opinion of the Remuneration Committee, may affect the value of Shares to a material extent, the Remuneration Committee may determine that Options will vest conditional on the event occurring. The number of Shares in respect of which Options vest shall be determined by the Committee, having regard to the extent to which any performance condition has been satisfied and, unless the Remuneration Committee determines otherwise, pro-rating to reflect the period from the start of the performance period to the date of the relevant event (or such other relevant period). If the event does not occur, Options will continue.

Rights attaching to Shares

All Shares issued or transferred under the 2019 SOP will rank pari passu with all other Shares of the Company for the time being in issue (save as regards any rights attaching to such Shares by reference to a record date prior to the date of issue or transfer to the participant).

Adjustments

In the event of any rights of capitalisation issue, sub-division, consolidation, reduction or other variation of the ordinary share capital, the Remuneration Committee or the Board, as appropriate, may make such adjustments as it considers appropriate to the number of Shares subject to Options and/or the price payable on the exercise of Options.

Amendments and termination

The Remuneration Committee or the Board, as appropriate, may amend the 2019 SOP at any time, provided that prior approval of the Company's shareholders in a general meeting will be required for amendments to the advantage of employees relating to eligibility, limits, the basis for determining a participant's entitlement to, and the terms of, the Shares comprised in an Option and the impact of any variation of capital.

However, any minor amendment to benefit administration, or any amendment to take account of legislative changes, or to obtain or maintain favourable tax, exchange control or regulatory treatment in any jurisdiction, may be made by the Remuneration Committee or the Board, as appropriate, without shareholder approval.

No further Options may be made under the 2019 SOP on or after the tenth anniversary of the approval by shareholders of the 2019 SOP but the rights of existing participants will not be affected by any termination.

Overseas plans

The Remuneration Committee or the Board, as appropriate, may establish such sub-plans or schedules to the 2019 SOP, modified to take account of local tax, exchange controls or securities laws if required to do so or if it is beneficial to do so in any overseas jurisdiction, provided that any Shares made available under such plans are treated as counting against the limits on individual and overall participation in the 2019 SOP.

Pension benefits

Benefits under the New Share Plans are non-pensionable.

Advisers

Nominated Advisor and Broker

Investec Bank plc
30 Gresham Street
London EC2V 7QN

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

Goodwin Procter LLP
100 Cheapside
London EC2V 6DY

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