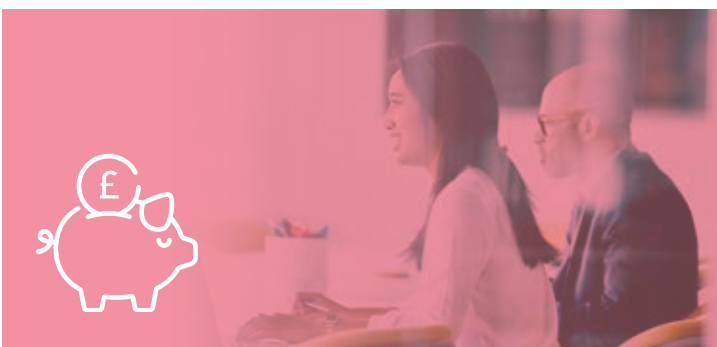




Creating quality outcomes through our innovative surgical and woundcare products



About AMS

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

Creating quality outcomes for our...

..patients



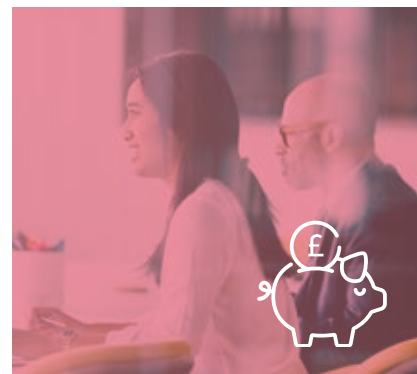
Read about our **Patients** on **pages 8 to 9** and **30 to 31**

...employees



Read about our **Employees** on **pages 10 to 11** and **30 to 31**

...investors



Read about our **Investors** on **pages 12 to 13** and **30 to 31**

For our other Stakeholders please see **pages 32 to 35**

Impact of COVID-19



The restrictions relating to the COVID-19 pandemic during 2020 severely disrupted the entire global market and resulted in a significant slowdown in surgical and wound treatment volumes. In addition, the reduced access to hospitals for our direct sales teams and our partners sales teams significantly restricted our business development activities during the year.

Throughout 2020, we maintained supply to our healthcare partners and customers whilst implementing safety measures to minimise risks for our employees and their families and continued to invest in R&D and other key projects in order to be in a good position for strong growth as our end markets recover.

Our strong cash position (£54 million cash, no debt and an undrawn £80 million credit facility at 31 December 2020) underlines our robust financial condition, which enabled us to weather the global disruption caused by the pandemic.

The biggest impact was felt in the second quarter of 2020, with subsequent quarters being less impacted as hospitals gradually started to reinstate non-urgent procedures. In the first quarter of 2021, demand for our products remained below normal historical levels due to COVID-19 disruption but vaccination progress provides increased confidence of a return to more normal volumes later in the year.

Financial Highlights

Group revenue (£ million)

£86.8m

2019: £102.4m

Change: -15%

Profit before tax (%)

11.6%

2019: 23.7%

Change: -12.1pp

Adjusted¹ profit before tax (%)

15.4%

2019: 26.0%

Change: -10.60pp

Profit before tax (£ million)

£10.1m

2019: £24.3m

Change: -58%

Adjusted¹ profit before tax (£ million)

£13.4m

2019: £26.6m

Change: -50%

Diluted earnings per share (p)

3.94p

2019: 8.72p

Change: -55%

Adjusted¹ diluted earnings per share (p)

5.44p

2019: 9.83p

Change: -45%

Net operating cash flow

£21.5m

2019: £21.7m

Change: -1%

Net cash² (£ million)

£53.8m

2019: £64.1m

Change: -16%

Proposed full-year dividend per share (p)

1.70p

2019: £1.55p

Change: +10%

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Operational Highlights (including post-period end)

- Sales and profitability heavily impacted by COVID-19.
- Proposed increased dividend and repayment of UK Government furlough reflects Board's confidence and strong financial position.
- Investment in R&D increased to £7.9 million (2019: £6.5 million) as progress continued on all key projects across the Group.
- Approval and restricted US launch of LiquiBand® Rapid™. Successful completion of LiquiBand® XL clinical trials keeps us on track for approval and launch towards the end of 2021.
- US clinical trial for LiquiBandFix8® progressing well. Filing expected in 2022, following 12 month patient follow up.
- Seal-G® and Seal-G® MIST clinical study enrolment began in February 2021. CE mark extensions expected in H1 2021. Provides access to a new \$1 billion market to fulfil a significant unmet need.
- Acquisition of Raleigh Adhesive Coatings in November 2020 for £22 million. Strong strategic fit with commercial synergies.
- Grahame Cook appointed to Board in February 2021. Steve Bellamy to retire from the Board at the AGM in June 2021. Board refreshment to continue over the next two years.

1. Certain financial measures, including adjusted results above, are not defined under IFRS and are alternative performance measures as described on page 140.

2. Net cash is defined as cash and cash equivalents plus short term investments less bank loans and financial liabilities excluding those relating to IFRS 16.

Our Business at a Glance

Our Purpose

Creating quality outcomes through our innovative surgical and woundcare products

Achieved through our value chain

New product development



Research and development
Design and testing

Regulatory



Approvals for new products and new territories
Maintain approvals for existing products/markets

Operations



Manufacturing and security of supply
Quality assurance

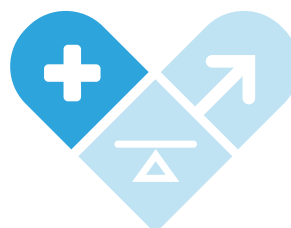
Routes to market



Flexible route to market incorporating our direct sales teams, our global network of distributors and our OEM partners

For information see **Our Supply Chain** on pages 34 and 35

Underpinned by Our Values



Care

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

For more information see **Our Values** on pages 42 and 43

Our Strategic Pillars



Growth

Exploiting the opportunities arising from 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

Continuously improving our operations to drive out cost and defend margin



Culture

Investing in recruiting and developing talent while embedding our values of Care, Fair, Dare

Delivering for Our Stakeholders



Our Patients

Delivering excellent outcomes for our Patients



Our Employees

Being a great place for our Employees to work



Our Investors

Delivering long-term sustainable growth and value for our Investors



Our Clinicians

Delivering effective, efficient and safe experiences for our Clinicians



Our Partners

Delivering quality and value for our Partners



Our Regulators

Meeting the evolving requirements of our Regulators



Our Communities

Involvement and support for our Communities



Our Supply Chain

Strong, mutually beneficial relationships for our Supply Chain

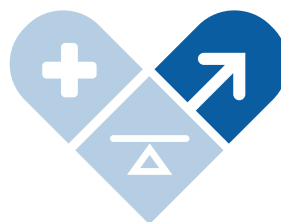
For information see **Our Strategy** on pages 18 to 23

For information on **Our Stakeholders** see pages 30 to 35



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

Investment Case



Our investment in R&D enables us to develop high-quality, innovative products that create quality outcomes for clinicians and patients.

We develop or acquire products and technologies which can drive market share gains in high value segments. We have been increasing R&D investment in our innovation hubs in the UK, France, Germany and Israel, resulting in an R&D pipeline that is stronger than ever. In 2020, we incurred £7.9 million of gross R&D spend, representing 9.1% of sales (2019: £6.5 million; 6.3%).

19.8%

Percentage of sales from new products
2019: 23.6%



Our strong portfolio of products provides multiple growth drivers and high values of recurring revenues with strong gross margins.

In recent years we have expanded our product ranges through product development and acquisition to create a strong, balanced portfolio of complementary high-quality, innovative and technologically advanced surgical and woundcare products with multiple growth drivers providing high values of recurring revenues with strong gross margins.

In 2020 gross margin was impacted by the COVID-19 pandemic.

53.0%

Gross margin %
2019: 59.1%



Our manufacturing capabilities and extensive regulatory expertise enable us to obtain market access and securely supply our products.

Our specialist lean manufacturing sites and world class quality systems provide security of supply and allow us to focus on delivering excellent customer service, lowering operational costs and improving margins.

Our extensive regulatory experience enables us to bring products to market, implement post market surveillance and comply with increasing levels of regulatory standards such as the Medical Device Regulations (MDR).

89%

Customer service % (OTIF: On-Time-In-Full)
2019: 80%



Commercial Flexibility

Our flexible approach to route to market incorporating direct sales teams and a global network of distributors and OEM partners enables us to access healthcare markets globally and maximise value to AMS.

Our commercial success is based on our strategy of selecting the best route to market for each product to maximise our value. We have been successful in our key US LiquiBand® market by implementing a hybrid model with our four key distribution partners providing channel coverage, supported by our specialist sales teams on the ground. Elsewhere, we use a mix of direct sales, OEM partners and distributors. We will continue to adopt this flexible approach as we globalise our exciting newer technologies.

84

Countries sold into

2019: 84



Growth

We have a track record of strong growth and significant potential for accelerated future growth with our existing products and exciting near-term pipeline of high-potential products.

Favourable global healthcare trends are expected to result in our markets growing. Our existing products are all positioned to gain market share and enter new geographies with regulatory developments expected to provide further opportunities. Key projects in our near-term pipeline such as LiquiBand® XL, Sealantis and the LiquiBandFix8® PMA will enable us to enter new large markets with great products. Strategically aligned acquisitions will continue to supplement our organic growth.

In 2020 CAGR was impacted by COVID-19.

10.5%

Sales CAGR over ten years

2019: 15.6%



Profitable & Cash Generative

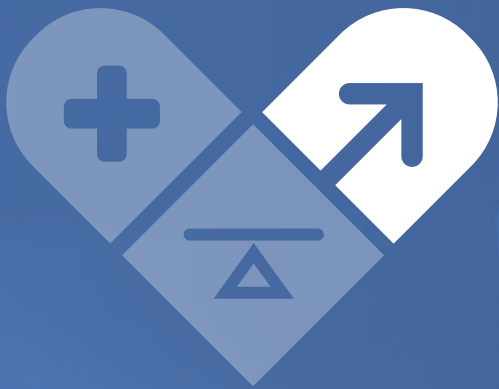
We have a strong balance sheet and track record of cash generation which enables us to invest in longer-term growth opportunities.

Our ongoing record of cash generation even during severe periods of COVID-19 disruption and our cash position (£54 million at December 2020 with an £80 million undrawn unsecured debt facility) enables us to continue to progress our key projects whilst investing in select strategically aligned acquisitions. In 2020, we acquired Raleigh Coatings which increases our woundcare capabilities and provides significant revenue and cost synergies.

£21.5m

Net cash flow from operating activities

2019: £21.7m



Living by our values: Dare

Moving boundaries and challenging constructively to build on others' ideas

Despite the impact of the COVID-19 pandemic we increased our level of investment in R&D. Our investments in key projects such as Sealantis, LiquiBandFix8[®] PMA and the Medical Device Regulation (MDR) are expected to drive significant commercial benefits in the next few years. In spite of the unprecedented conditions, we leveraged our robust balance sheet to further invest in the future of the Group with the acquisition of Raleigh Coatings. We believe that our strategy of acquiring businesses with complementary technologies and commercial synergies is the best way to supplement our organic growth and ensure long-term, sustainable growth for the Group.

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Creating quality outcomes for our patient

Developing intuitive, safe and cost-effective products which ensures the best clinical outcome for the patient.

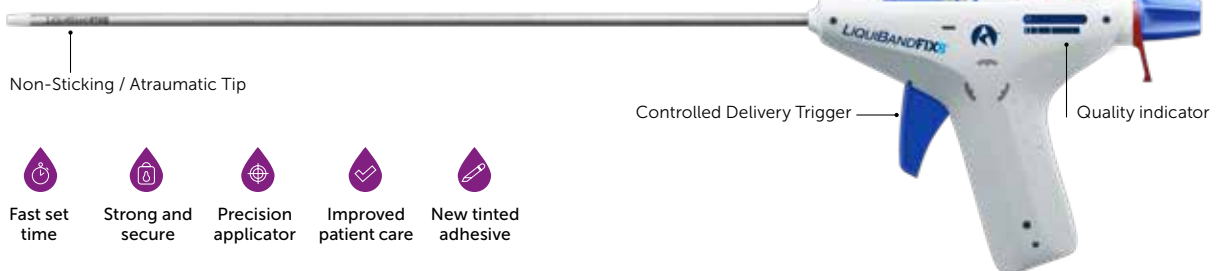
We focus on delivering innovative and technologically advanced products and industry-leading training. We engage patient feedback to ensure our products improve the patient experience – through focus groups, clinician groups and a robust complaints system to address any issues which did not meet the patient expectations. Patient and clinician experience is a key focus for AMS.

→ For more information see **Our Stakeholders** on pages 30 to 31

LiquiBandFix8® (laparoscopic) – Minimising complications and improving patient safety and comfort

Breaking the spiral of post-operative pain in hernia-mesh fixation

Two separate retrospective studies carried out by Mr Paul Wilson (Consultant General Surgeon – Royal Lancaster Infirmary) demonstrated the safety and efficacy of FIX8® for inguinal and ventral hernia repair. Evidence included lower levels of complications such as post-operative pain and recurrence. The initial 2016 study included 200 patients with a 12 month follow up and the 2020 study included 137 patients with a 24 month follow up period. The studies outline these key benefits: Reduced patient trauma; Improved patient recovery; Improved delivery with increased patient safety; Reduced post-operative complications.



LIQUIBANDFIX8™



nts



Creating quality outcomes for our emp

Through activities which include employee forums, engagement surveys, a senior management communication portal, regular communication with the workforce and embedding our culture and values, we have ensured that the health, safety and well-being of all employees is paramount.

Our response to the COVID-19 pandemic demonstrated the very best of AMS. We continued to commit to looking after our people and retaining key talent. We have implemented a people-centric approach extending to phased return planning and flexible working arrangements in line with local government advice. We have fully supported those who have to work from home, utilising our flexible working policy and technology infrastructure.

→ For more information see **Our Stakeholders** on pages 30 and 31

Delivering the highest standards of COVID-19 management and response for our employees



The health and safety of our employees is critical and the policies and procedures at our sites reflect this. We acted swiftly to provide consistent and regular communication to our teams around the world, ensuring open lines of communication to senior management.

Our approach was to establish a COVID-19 committee and cascade principles with regular calls to allow local leaders to implement changes at their sites, aligned with local government policy. We had a focus on removing anxiety, providing clarity on legislation, and supporting physical and mental well-being. Our teams made sure that every person was kept updated with relevant information and had regular contact with their managers and teams.

We have supported the workforce with full employment, avoiding any COVID-19 related redundancies and protecting jobs throughout the pandemic. Employees who were unable to work were fully paid. The pandemic has highlighted a resilient can-do attitude, with many of our team seamlessly switching to home working while safely keeping our manufacturing sites open and maintaining a relentless focus on serving our customers. The pandemic also focused our sense of community, implementing the Care values and looking out for the safety and well-being of each other.

loyees

93%

Employee Retention

Significantly higher in 2020 with low attrition being partly testament to the management of COVID-19 and our long-term prospects.

78%

Employee Engagement

Care, Fair, Dare values have helped us to positively manage the business through the COVID-19 pandemic.



Creating quality outcomes for our invest

Given the severe challenges caused by COVID-19, we performed well operationally and financially. We continued to meet the demand of our healthcare partners whilst implementing safety measures to minimise risks to employees.

We generated strong operating cash flows and are proposing an increased dividend having repaid UK Government furlough support received during the year.

Demonstrating our acquisition strategy, we added to our Woundcare capabilities with the purchase of Raleigh Coatings which provides growth prospects and significant commercial and operational synergies.

We made good progress on clinical activity to progress US approvals for our key LiquiBand® XL and LiquiBandFix8® technologies and are well positioned for strong organic growth in both the short and long-term.

 For more information see **Our Stakeholders** on pages 30 and 31

Acquisition of Raleigh Coatings supplements our organic revenue growth potential

raleigh coatings



We maintained our strong financial position throughout the year which enabled us to continue to deliver on our strategy of acquiring strategically-aligned businesses with commercial synergies to supplement our organic revenue growth by acquiring Raleigh Coatings in November 2020.

Raleigh's capabilities in acrylic and silicone coating and perforation will provide AMS with significant efficiency and cost saving opportunities. The acquisition also provides commercial synergies and entry points into new customers and markets such as medical diagnostics and a healthy R&D pipeline of medical products.

 For more information view www.raleighcoatings.com

tors

£86.8m £21.5m 1.70p per share

Group Revenue
2019: £102.4m

**Net cash flow from
operating activities**
2019: £21.7m

**Proposed full-year
dividend per share**
2019: 1.55p per share

Chief Executive's Q&A



"Our R&D pipeline further expands our addressable market and has never been stronger. We continue to be optimistic about our growth prospects in the growing global healthcare market."

Chris Meredith

Chief Executive Officer



AMS performed well in 2020 despite severe COVID-19 disruptions

How has AMS managed the impact of COVID-19?

Having created a designated COVID-19 working group, prioritised safe working practices and complied with government measures on social distancing, all our sites have remained in operation throughout the pandemic and we have therefore been able to continue to service the demand of our healthcare partners while maintaining our robust balance sheet.

As part of this we have:

- Enabled working from home arrangements where possible;
- Implemented support processes for staff who have tested positive or have otherwise had to isolate;
- Set up a designated team to closely monitor and risk assess the impact of COVID-19 on operations and taken steps to establish safe working practices in all AMS sites;
- Undertaken a full evaluation of the supply chain to ensure any risks are identified and mitigated;
- Adjusted working patterns and put in place controls to minimise physical interactions and ensure social distancing;
- Maintained payment terms to support suppliers;
- Provided contractual order flexibility to customers whose demand has been impacted by the COVID-19 downturn;
- Repaid £0.4 million of UK job retention scheme support relating to our employees who were unable to work during the year due to COVID-19 restrictions. Furloughed employees received full salary at the Group's cost;
- Maintained a strong year-end net cash position of £53.8 million and proposed a 10% increase in full year dividend.

As is well known, COVID-19 restrictions have disrupted our global markets in 2020, with a resulting slowdown in surgical and wound treatment volumes. In addition, reduced access to hospitals has significantly restricted business development activities during the year. As COVID-19 vaccine programmes roll out in key markets, we await the reduction in infection rates and a gradual return to normalised levels of elective surgery across all of our markets.

Whilst it is expected that the short term impact of COVID-19 will dissipate, it is anticipated that long-term behavioural impacts could provide us with new opportunities, such as increased 'direct to patient' supply of products.

Outside of COVID-19, how does AMS expect their markets to develop?

Driven by favourable global healthcare and demographic trends, global surgical and advanced woundcare markets are expected to grow in the medium to long-term providing ongoing growth potential. Key R&D and regulatory projects in the Group's pipeline will significantly increase the size of the market that is addressable by our products.

Following the successful clinical trials for LiquiBand® XL we expect to obtain 510(k) approval in H2 2021 which will allow entry in to the growing \$50 million large wound closure market towards the end of 2021. This product launch has the added benefit of unlocking further growth potential in the base LiquiBand® business.

The clinical trial for the LiquiBandFix8® US Pre-Market Approval is progressing well and both trial results and surgeon feedback have been positive. Patient procedures will be complete in 2021 followed by FDA filing in 2022. US approval would be a significant milestone, being the first product of its type to enter the \$250 million US hernia fixation market. This positive progress supports efforts to secure more specialist partners for LiquiBandFix8® which is expected to drive much stronger growth for this category globally, especially as elective surgery volumes recover.

The Sealantis clinical trial commencement in February 2021 and the extended product approvals expected imminently position us with a differentiated product to address the high unmet medical need for an effective internal sealant following bowel surgery. The planned Seal G range of products will allow us to enter the global \$1 billion internal sealants market starting as planned in H1 2021 with a soft launch whilst further clinical evidence is built that will facilitate a full European launch in 2022.

The acquisition of Raleigh enhances our woundcare capabilities and growth potential and enables entry into the bio-diagnostic testing sector for the first time, demonstrating the strategy of utilising our strong financial position to acquire businesses with complementary products, exciting technologies and new routes to market.

We further increased our addressable market in woundcare with a number of product launches and approvals:

- The US launch of Silver Moisture Wicking Fabric provides access to the growing market for the management of skin folds and skin-on-skin friction;
- The US approval of the Debridement pad opens the market for wound bed preparation devices; and
- The CE mark approval of Silicone PHMB foam, which sits alongside the existing US approval, facilitates greater penetration of the antimicrobial foam market.

These new woundcare products enable our partners to participate in new markets worth a total of \$200 million.

We also made significant R&D and regulatory progress in expanding the product indications for our Silver High Performance Dressing which positions us to obtain a full anti-microbial claim by the end of 2021. This important indication will unlock deeper penetration of the US antimicrobial gelling fibre market with a competitive product.

How is the M&A strategy progressing?

We continue to seek acquisitions that deliver additional value for shareholders and meet the criteria of being accretive businesses with strong R&D and manufacturing capabilities, and that have products or customers that offer effective commercial synergies. The acquisition of Raleigh demonstrates a good fit with this strategy, and integration is progressing well. The Board remains optimistic about Raleigh's growth prospects, as well as the potential for significant cross-selling and cost saving synergies.

During the year, we incurred exceptional costs of £0.8 million relating to both the acquisition of Raleigh and the participation in a process, in which we were unsuccessful, for a sizeable surgical business.

What progress did AMS make in 2020 in the increasingly challenging regulatory environment?

The Board is confident that the implementation of Medical Device Regulation (MDR) will provide opportunities for us due to anticipated competitor product withdrawals. We are making strong progress in our own MDR preparations having already secured additional time by extending the existing MDD filings.

As a result of the COVID-19 pandemic, the deadline for Notified Bodies to review Medical Device Directive (MDD) certificates was extended by one year to May 2021, allowing AMS and other companies additional time to get new products approved or existing products reapproved under MDD. The end date, when all MDD certificates become invalid, remains as 26 May 2024.

The MDD extensions were utilised to submit and obtain CE mark approval for Silicone PHMB foam and to file for extensions to the Sealantis CE mark.

In 2020, we successfully completed our final MDD recertifications so that all products now have extended MDD certificates allowing ample time for compliance with the new European Medical Devices Regulation by 2024. We are well prepared for the stricter requirements on product safety and performance, clinical evaluation and post-market clinical evidence stipulated by MDR and in the year submitted our first four MDR files for Notified Body review.

The Senior Management Team's extensive preparations leave us well placed to exploit opportunities that will undoubtedly arise in the next few years during the implementation of MDR.

We obtained various product approvals for new territories in 2020 including our first approvals in India for both LiquiBand® and LiquiBandFix8®.

How has Brexit impacted AMS?

Our extensive preparations for Brexit enabled us to navigate the end of the transition period on 31 December 2020 with limited impact on the business. UK product certificates have been reassigned to BSI Netherlands, Advanced Medical Solutions BV has been appointed as the EU Authorised Representative for our UK manufactured products and the other necessary administrative and labelling changes have been put in place. We now intend to unwind the increased stock levels that were built to mitigate possible Brexit delays.

In 2021, we are experiencing a limited level of Brexit related disruption in the following areas:

- Delays in port.
- Increased freight costs including surcharges, paperwork and proof of origin declaration costs.
- Further labelling changes such as for the additional UK CA mark to be phased in.
- MDR importer requirements to be phased in.

What is the outlook for 2021 and beyond?

Despite the ongoing challenges posed by COVID-19 across the globe, we have seen a continuing gradual recovery across the business over recent quarters and 2021 has started well with a healthy order book in both Business Units.

Strong progress has been made in product development, regulatory approvals in new geographies and indications for our products. These factors significantly increase the size of our addressable market in the near-term when combined with the approval of LiquiBand® Rapid™ and the successful clinical trials for LiquiBand® XL. On this basis we are set for strong organic growth in 2021 and beyond. We will continue to invest in R&D programmes and, in particular, in Sealantis, the LiquiBandFix8® PMA and Medical Device Regulation, which are expected to provide significant growth opportunities in the medium-term.

The Board is committed to its strategy of building organic and acquisitive growth and is confident in both the short and long-term prospects for AMS.

Chris Meredith
Chief Executive Officer
12 April 2021

Market Overview

We operate in the global surgical and advanced woundcare markets. Both markets are growing steadily driven by an increasingly ageing population and advances in technology

Surgical

The surgical market is worth approximately \$10 billion¹ globally with historic product compound annual growth rate (CAGRs) estimated to be between 0% and 8%. AMS has potential to grow in all areas. The following segments represent our most significant near term opportunities.

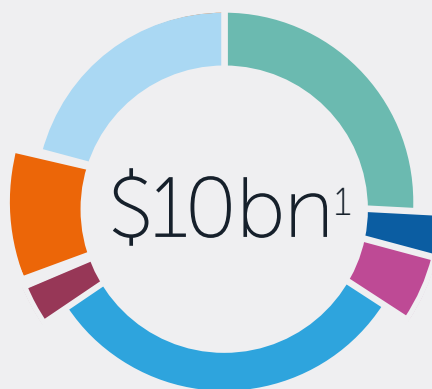
Internal Sealants – Sealantis

Sealantis is an alginate-based, tissue adhesive technology platform which enables us to enter a new \$1bn market with a unique product to satisfy a significant unmet patient need. The clinical trial started in February 2021 and CE market extensions are anticipated in H1 2021. Initial sales are expected in 2021 with full European launch to follow in 2022.



Tissue Adhesives – LiquiBand®

LiquiBand® is the Group's most successful product having gained more than 20% share of end-volumes of the \$250m US market. Further growth is now expected following the 2021 launch of LiquiBand® Rapid™ and the anticipated 2021 launch of LiquiBand® XL, which will enter a new \$50m large wound market and will also unlock further hospital conversions for the base LiquiBand® business.



Internal Fixation – LiquiBandFix8®

Fix8® was our first product for internal fixation, entering a \$400m market for hernia mesh fixation with an innovative product that delivers benefits to the patient in terms of reduced complications and post-operative pain. The larger part of this market is in the US which will open up when we complete our Pre Market Approval (PMA) process. We expect to file a 510(k) with the FDA in 2022.



Surgical market split

- Biosurgicals/Haemostats
- Tissue Adhesives
- Synthetic Bone Substitutes
- Sutures
- Internal Fixation
- Internal Sealants
- Other Closure

Synthetic Bone Subs – Biomatlante

The acquisition of Biomatlante in 2019 entered AMS into the \$500m synthetic bone substitutes market. Accelerated growth is now expected as we commercialise the RESORBA® branded versions of Biomatlante's products through our existing routes to market and expand our geographical penetration by progressing a US 510(k) approval for our innovative Freeze Dried Bone Substitute (FDBS) range.



1. Sourced from various third party data sources and market reports.

Global Surgical market

\$10bn

Product CAGRs

0%–8%

Global Advanced Woundcare market

\$4bn

Product CAGRs



0%–5%

Woundcare

The advanced woundcare market is worth approximately \$4 billion¹ globally with historic product CAGRs estimated to be between 0% and 5%. The following segments represent our most significant near term opportunities.

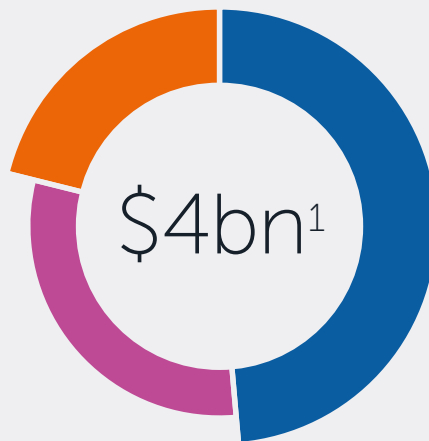
Infection Control – Silicone PHMB, Moisture Wicking Fabric and Debridement

We have increased our addressable market in Infection Control with a number of product launches and approvals:




-  The launch of Silver Moisture Wicking Fabric provides access to the growing market for the management of skin folds and skin-on-skin friction.
-  The US approval of our Debridement pad opens up the market for wound bed preparation devices.
-  The CE mark approval of Silicone PHMB foam, which sits alongside the existing US approval, facilitates greater penetration of the antimicrobial foam market.

These new woundcare products enable our partners to participate in new markets worth \$200m.

We have also progressed an expansion to the product indication for our Silver High Performance Dressing positioning us to obtain full antimicrobial claim by the end of 2021 and to unlock deeper penetration of the US antimicrobial gelling fibre market.



Woundcare market split

-  Exudate Management
-  Infection Control
-  Other Woundcare

Exudate Management – Raleigh and ActivHeal®

We are progressing a number of initiatives to enable us to increase our share of the large Exudate Management market:

- Our initiative to appoint new ActivHeal® distributors in non-core markets for our OEM partners will expand our geographical reach. ActivHeal® is expected to launch in a number of new territories in 2021 with additional registrations also being sought to further exploit this growth opportunity.
- The Raleigh acquisition provides opportunities for us to win new Exudate Management customers and enter into new markets such as the bio-diagnostic testing sector and brings a pipeline of new projects with growth potential.
- Adding a pressure ulcer prevention indication to our US Silicone foam range enables our partners to win business by promoting our products for this increasingly important patient concern.



1. Sourced from various third party data sources and market reports.

Our Strategy

Our Strategic Pillars driving future success

To sustainably grow our surgical and woundcare businesses organically and via acquisition, and increase customer satisfaction by focusing on productivity, innovation, businesses continuity and Health and Safety. We do this by living our Company culture through our Care, Fair, Dare values, appreciating our employees and being good corporate citizens.

Growth

Exploiting the opportunities arising from having a broad product range sold via multiple routes to market and across multiple geographies.

 For more information see [page 20](#)

Innovation

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

 For more information see [page 21](#)



Due to the difficult trading conditions caused by COVID-19 we have focused on maximising our financial and operational performance, maintaining supply to our customers, protecting our workforce and investing in the future of the business. Our Strategic Pillars highlight these areas as critical to the future success of the Group.

9.1%

% spend on R&D and Innovation

2019: 6.3%

22% increase in investment 

89%

Customer Service (OTIF)

2019: 80%

11% improvement in performance 

78%

Employee Engagement Score

2019: 48%

62% increase in positive responses 

Operational Excellence

Continuously improving our operations to drive out cost and defend margin.

Culture

Investing in hiring and developing talent while embedding our Care, Fair, Dare values.

 For more information see [page 22](#)

 For more information see [page 23](#)

Our strategic pillars driving future success

Operational Excellence



Culture



Strategy in Action

Growth

Our growth strategy is to exploit opportunities from multiple routes to market across numerous 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 to other available products.



How we are going to achieve it

- **Market share gains:** Continue to increase the market share of our key products, particularly in large markets such as the US, by demonstrating a strong combination of high-quality products delivering improved performance and value for money versus competitors.
- **New products:** Develop new products in-line with our core strategy and deliver at least two new product launches each year.
- **New markets/entry:** Achieve product approvals in new geographies and open up opportunities and markets for our partners. Leverage our Regulatory expertise to take advantage of higher barriers to entry to new products and markets and maximise opportunities arising from competitor products not being renewed in specific markets.
- **Grow our recently acquired businesses:** Deliver on the multiple growth opportunities and exploit the inherent commercial, operational and regulatory synergies.
- **M&A:** Identify and deliver strategically aligned acquisitions providing strong Surgical product synergies or routes to market or Woundcare technologies that we could use to leverage our customer base.

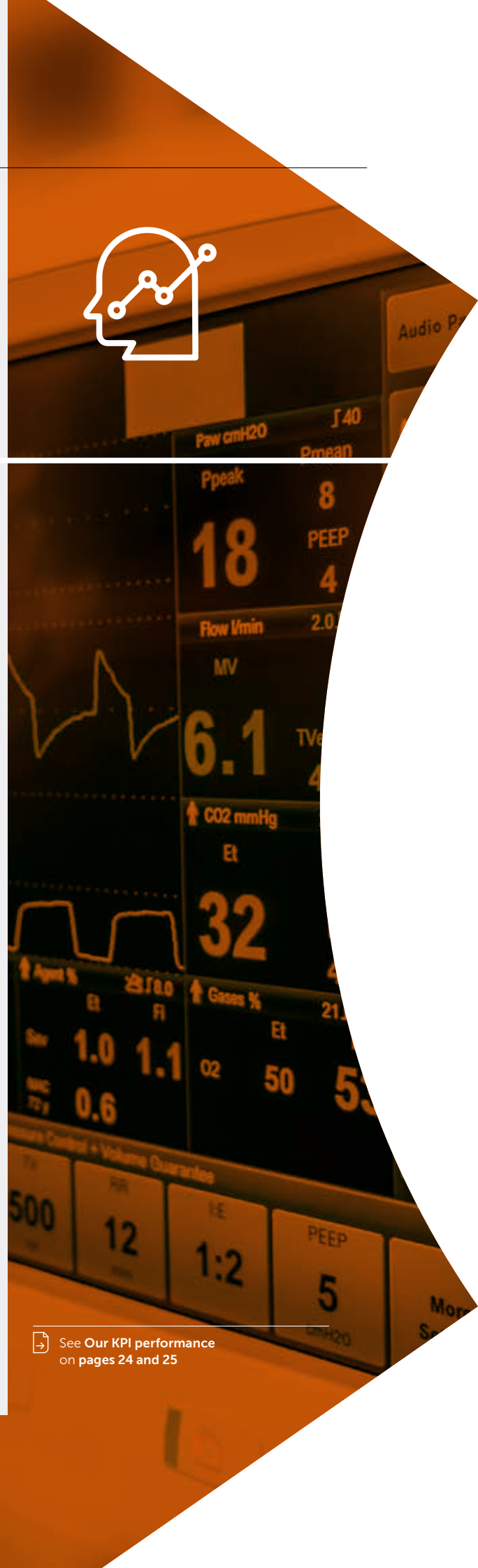
What we have achieved in the year

- Optimised the design and completed clinical trials for the LiquiBand® XL technology delivering a product with strong performance characteristics for 510(k) filing in H1 2021.

- Continued to progress our US Fix8® IDE enrolment with well over half the required patient operation numbers now completed. Filing is expected in 2022, following the 12 month follow-up stipulated by the FDA.
- Delivered approvals and launches of Surgical products in multiple new territories such as LiquiBand® and LiquiBandFix8® in India.
- Submitted and gained CE mark approval for Silicone PHMB foam, offering high efficacy and sustained performance compared to alternative products. This approval enables AMS to access the growing antimicrobial silicone foam market in the EU.
- Signed multiple agreements in APAC and Gulf States with distributors for commercialisation of the ActivHeal® portfolio.
- Acquired Raleigh Coatings providing growth potential including access to the bio-diagnostics space, commercial and operational synergies and expanding our in house capabilities to include acrylic and silicone coating and perforation.
- Initiated Group-wide clinical programmes to support MDR certifications for all products.

How we are measuring success

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



→ See Our KPI performance on pages 24 and 25



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:** Expand relationships with Key Opinion Leader (KOL) panels to provide expert input into the innovation process and exchange information to ensure our innovation output meets clinical needs.
- **Product Development:** Create differentiated products that have fewer complications and provide more effective, efficient, safer experiences for both clinician and patient.
- **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.
- **Biomatlante:** Developed a freeze dried bone substitute (FDBS), with strong cohesive properties when mixed with fluids that can be easily moulded for optimal placement in orthopaedic and spine surgery which will open up opportunities for the addition of active ingredients such as platelets, stem cells or synthetic peptides. Filed for US approval at the end of 2020.
- Designed and developed a Debridement pad which clinicians use to prepare the wound bed and enhance wound healing. Obtained 510(k) approval and submitted CE mark application.
- Invested in an in-house cell culture laboratory to support our entry into the Bio-engineered Skin Substitutes market, enable ex vivo and cell proliferation testing, and the creation of skin healing models.
- Conducted focus groups with KOLs to solicit feedback on our markets which we will use to inform our selection process for innovation projects.

How we are measuring success

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

What we have achieved in the year

- **Sealantis:** Worked with Notified Body to progress towards gaining our first CE approval for the laparoscopic Seal G device. Expanded the existing CE approval for the open device to include a colourant that significantly aids visibility for the surgeon during use. Both approvals are expected in H1 2021. Started the clinical trial for the open and laparoscopic devices in Q1 2021. Completed commercial research activity with 30 European Key Opinion Leaders ahead of a soft launch in H1 2021 and a full European launch in 2022.

9.1%

% of revenue spend on R&D & Innovation
2019: 6.3%

→ See **Our KPI performance** on pages 24 and 25

Strategy in Action continued

Operational Excellence

Through a strategy that begins with focusing on what our customers need and value, we pursue 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 increase margin.



How we are going to achieve it

- **Continuously improve:** Deliver a cost competitive, high quality product portfolio allowing AMS to win business in competitive markets. Build a strong continuous improvement culture driving year-over-year business process improvement, delivering cost reduction and improved quality.
- **Invest for growth:** Smart investments in capacity which provide agility to support business in growth areas.
- **Exceed Customer Expectations:** Consistent supply of high quality products through optimised supply chain processes, systems and organisation, simplifying and driving efficiencies for AMS and our customers.
- **Improve Speed to Market:** Focus on our Product Development Process through effective industrialisation and right first time product approval, delivering improved speed to market. Deliver excellent capability for effective project priorities, resourcing and execution.
- **Mitigate Business Risk:** Maintain regulatory certification of AMS products with clear strategy on Notified Bodies and audit readiness at all AMS sites. Smart compliance with minimal overhead cost. All sites meet legal, quality and regulatory standards.

What we have achieved in the year

- Delivery of gross 4% cost reduction projects across the sites and plans to deliver a further 5% in 2021.
- Deployed initial modules of our eQMS (Electronic Quality Management System) across multiple sites.
- Manufacturing scaled up in Israel to support the future launch of our Sealantis products.
- Good progress integrating Biomatlante into AMS operations.
- Good progress on Fix8® IDE (investigational device exemption) clinical study.
- Invested in technology and capacity across both Surgical and Woundcare.
- Improved our customer service (OTIF) result by 11% whilst reducing our overall inventory levels.
- Extensive training and Group deployment of our Product Development Process across our new product portfolio.
- Established processes around our PMO (Project Management Office) and trained 45 staff in effective project management across AMS.
- Good progress in updating and submitting our technical files and our Quality Management System in line with the new MDR requirements.
- Created COVID-19 safe environments across all our operating environments.

-0.1%

Year-over-year change of our standard cost base
2019: 2.8%

How we are measuring success

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

➔ See Our KPI performance on pages 24 and 25



Culture

Our employees drive the success of AMS. We actively promote our Care, Fair, Dare values 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 appropriate remuneration and benefits, and to having a diverse workforce.
- **Talent Management:** Developing and retaining talent allows us to build skills to maintain a culture of innovation and retain knowledge within the business.
- **Values and Behaviours:** Care, Fair, Dare provides values and a cultural framework to nurture how we interact and achieve success as a team.
- **Open Communication:** Listening to all views, taking feedback and pro-actively providing information to 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

- Drew on our Care, Fair, Dare values to help manage our way through the COVID-19 pandemic.
- Launched an Employee Health and Well-Being programme to support employees through the pandemic.
- Reviewed our flexible working models and made changes to our policies to support both retention of employees and supporting business needs.
- Conducted pulse surveys to ensure we understand and could react to how our employees were feeling.
- Developed a Senior Management Team global communications process to allow two way communications on status of COVID-19 management.
- Implemented an integrated online recruitment tool to allow us to manage recruitment completely remotely from application through to offer.
- Rolled out our business ethics training to all managers, which included commitments to diversity and inclusion.
- Developed a strategic, Group-wide annual training plan, to ensure training investment is aligned to employee development and business priorities.
- Developed a Group Environmental Plan with clear targets.

78%

Employee engagement score
2019: 48%

How we are measuring success

- Employee attrition (%).
- Employee Engagement Score (%).

→ See Our KPI performance on pages 24 and 25

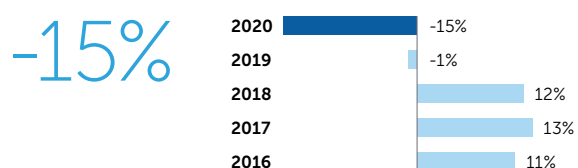
Key Performance Indicators

Measuring success

The Group has a range of Key Performance Indicators (KPIs) which are used to monitor Group performance and help measure progress against our strategy.

Financial KPIs

Revenue movement %



Definition

Net revenue in the year.

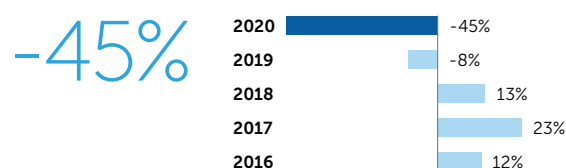
Strategic linkage

Long-term revenue growth demonstrates the successful execution of the Group's strategy. It is a contributory factor to providing long-term value for our shareholders.

Progress made in the year

Revenue fell by 15% in 2020 to £86.8 million (2019: £102.4 million) predominately due to the impact of COVID-19 on surgical and wound treatment volumes. Supported by the continued recovery of US LiquiBand®, a healthy order book, new product launches and the Raleigh acquisition, the Group is well-positioned to grow in 2021, despite COVID-19 disruptions.

Adjusted diluted earnings per share (EPS)¹ movement %



Definition

Movement in adjusted diluted EPS² achieved in the year.

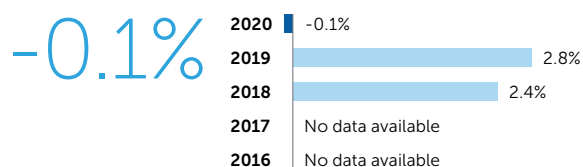
Strategic linkage

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

The COVID-19 pandemic resulted in much lower volumes and adverse operating leverage resulting in adjusted diluted EPS² reducing to 5.44p in 2020 (2019: 9.83p). This is a 45% reduction on 2019.

Year-over-year change of our average standard cost² %



Definition

Measures the reduction in standard cost base³ against prior year.

Strategic linkage

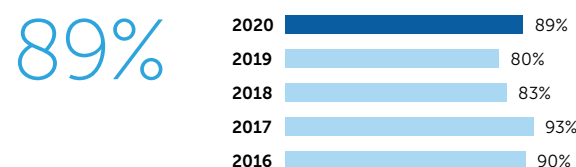
Reducing standard costs ensures our products are competitive in the marketplace and demonstrates the successful execution of our strategy, which is critical for the long-term sustainability of the Group.

Progress made in the year

The standard cost base decreased by 0.1% in 2020 (2019: increase of 2.8%) driven by cost improvement activities resulting in reduced total costs despite inflationary pressures. For 2021, we are targeting operational cost improvements of 5% and another reduction in total standard costs. Our Chief Operations Officer is focused on driving the achievement of this target.

Non-Financial KPIs

Customer service (OTIF) %



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 increased to 89% (2019: 80%), resolving the temporary stock shortages linked to recertification of the RESORBA portfolio during 2019.

Improvements to forecasting and planning processes have been implemented and manufacturing capacity increases delivered. We expect to see further improvement to OTIF and are aiming to exceed 92% in 2021.

1. Certain financial measures, including adjusted results above, are not defined under IFRS and are alternative performance measures as described on page 140.

2. Reduction in average standard cost of production assuming no change in product mix.

Key to strategic linkage in this report

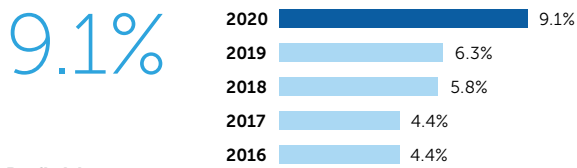
Growth

Innovation

Operational Excellence

Culture

% of revenue spend on R&D & Innovation



Definition

Spend on R&D, Innovation & Regulatory Affairs as a % of sales in the financial year.

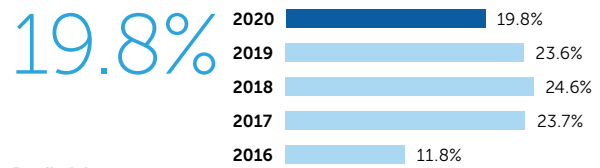
Strategic linkage ■ ■ ■

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 to 9.1% of revenue in 2020 (2019: 6.3% of revenue) driven by investment areas such as Sealantis and the US LiquiBandFix8® Pre-Market Approval (PMA) and also influenced by lower revenue. Innovation is a core part of our strategy and we expect to continue to increase our spend in this area during 2021.

% 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.

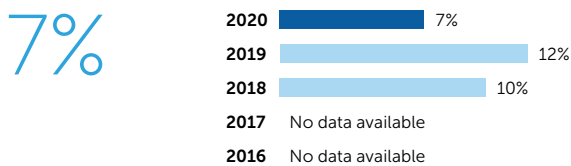
Strategic linkage ■ ■ ■ ■

As a Group focused on innovation 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

19.8% of 2020 sales were from new products (2019: 23.6%). We expect this measure to remain at a high level due to our strong product pipeline including planned 2021 launches such as LiquiBand® XL and as our recent product launches, such as LiquiBand® Rapid™, become established in the market.

Employee attrition %



Definition

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

Strategic linkage ■ ■ ■ ■

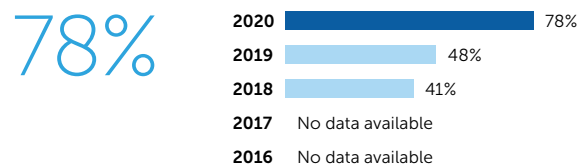
Low levels of employee turnover are critical for the future success of the business. Low levels of turnover increase employee engagement and the embedding of the Care, Fair, Dare values.

However, an element of turnover is considered beneficial, to support new ideas and best practices from outside the Group.

Progress made in the year

Employee attrition was 7% in 2020 (2019: 12%). This fall has been driven by the pandemic and our policies such as no redundancies, paying full salaries to those unable to work and proactive COVID-19 management.

Employee Engagement Score %



Definition

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

Strategic linkage ■ ■

How successfully we have embedded our culture. An increasing score indicates more engaged employees leading to more productive and happier employees, and higher retention.

Progress made in the year

The engagement score in 2020 increased to 78% (2019: 48%). This score is driven by employees viewing that the Company handled the pandemic well. We are aiming for a score of at least 80% in 2021. Participation in the Employee Survey was 45% across the Group in 2020 (2019: 49%).

Operating Review – Surgical Business Unit

Our exciting R&D pipeline makes us confident of delivering strong growth as well as providing meaningful benefits to patients

Surgical Business Unit

The Surgical Business Unit includes tissue adhesives, sutures, biosurgical devices and internal fixation devices marketed predominately under the AMS brands LiquiBand®, RESORBA® and LiquiBandFix8®. Revenue reduced by 11% to £50.2 million (2019: £56.5 million) due to the impact of COVID-19.

Surgical Business Unit	2020 £'000	2019 £'000	Reported change	Change at constant currency
Advanced Closure	22,751	30,085	-24%	-24%
Internal Fixation and Sealants	2,104	2,629	-20%	-20%
Traditional Closure	12,993	14,407	-10%	-9%
Biosurgical Devices	12,321	9,423	31%	30%
TOTAL	50,169	56,544	-11%	-11%

Advanced Closure

Advanced Closure comprises LiquiBand®, incorporating medical cyanoacrylate adhesives in purpose-built applicators used to close and protect topical wounds as well as surgical sealants sold under partners' brands.

Advanced Closure	2020 £'000	2019 £'000	Reported change	Change at constant currency
Americas	13,940	18,999	-27%	-26%
UK/Germany	4,955	6,850	-28%	-28%
ROW	3,856	4,236	-9%	-9%
TOTAL	22,751	30,085	-24%	-24%

Revenues decreased by 24% on a reported and constant currency basis to £22.8 million (2019: £30.1 million).

Following its approval and restricted launch in 2020, the commercial launch of LiquiBand® Rapid™ in 2021 will enable a key partner to regain ground with an improved product.

The planned 2021 launch of LiquiBand® XL will enable AMS to compete in the treatment of large wounds and unlock further growth potential in the LiquiBand® business. 510(k) approval is expected in H2 2021 following successful clinical trials in late 2020, with the product demonstrating very positive performance characteristics against the predicate device.

Whilst US procedural volumes remain depressed and hospital access limited, based on the above factors, US LiquiBand® is expected to deliver strong growth in 2021 and beyond.

We continue to obtain new approvals for LiquiBand®, notably in India during the year. The Group is now in the process of screening and selecting the best go-to-market partner for its first commercial activity into this large market.

Internal Fixation and Sealants

This category comprises LiquiBandFix8®, which is used to fix hernia meshes inside the body with accurately delivered individual drops of cyanoacrylate adhesive and Seal-G® which reinforces the staple/suture line to minimise anastomotic leaks following gastrointestinal bowel surgery.

LiquiBandFix8® revenue decreased by 20% to £2.1 million (2019: £2.6 million). Despite the restrictions, pleasing progress has been made in product training and new territory approvals. The sales teams delivered virtual symposia with prominent hernia societies attended by more than 8,000 surgeons to increase awareness of the reduced post-operative complications when using LiquiBandFix8® instead of staples or tacks. We also obtained approvals for LiquiBandFix8® in new markets, notably India and Brazil, with distributor selection and launch planning now in process.

The clinical trial for US Fix8® Pre-Market Approval had to be suspended for approximately six months due to COVID-19 but has since regained momentum with over 65% of the total required patient procedures now complete. FDA approval is expected to be filed in 2022 upon completion of the 12 month follow-up stipulated by the FDA. AMS continues to be excited about the long-term prospects for the LiquiBandFix8® portfolio, with entry into the US being a significant milestone for the Group. Feedback from surgeons and hospital centres involved in the trial has been very encouraging to date.

During 2020, commercial research activity was completed with European Key Opinion Leaders (KOL) which provided positive feedback on Seal-G® & Seal-G® MIST as solutions to the high unmet need for an effective gastrointestinal sealant.

Post-period end, we progressed two major milestones towards the Sealantis soft launch in H1 2021 and full European commercial launch in 2022:

- Began patient enrolment for the first clinical study of Seal-G® & Seal-G MIST® in February 2021, following COVID-19 related delays in 2020.
- Progressed CE mark extensions to strengthen portfolio. Laparoscopic Seal-G MIST® was approved and we are extending open Seal-G® to include blue colourant to aid visibility during surgery. Approvals are expected imminently.

Traditional Closure

The Traditional Closure category comprises the RESORBA® branded absorbable and non-absorbable suture ranges, which includes certain surgical specialties (such as dental and ophthalmic).

Revenue decreased by 10% at reported and 9% at constant currency to £13.0 million (2019: £14.4 million).

AMS expects to drive suture growth by focusing on specific opportunities such as targeted Group Purchasing Organisation (GPO) promotions in the DACH region, increasing its US footprint, dental portfolio selling with Biomatlante and RESORBA® products and leveraging its Moorfields Eye Hospital site advocacy to grow the ophthalmic business.

The Group continues to look for ways to make its suture portfolio more comprehensive. In 2019, AMS added a long lasting synthetic polydioxanone (PDO) thread material, followed by the 2020 launch of a high tensile strength OT Cord range for orthopaedic and sports medicine. In 2021, a barbed suture range to provide knotless tissue security is expected to be launched.

Biosurgical Devices

The Biosurgical Devices category comprises RESORBA® and Biomatlante technologies, including antibiotic loaded collagen sponges, collagen membranes and cones, synthetic bone substitutes and bio-absorbable screws.

Biosurgical revenue increased by 31% at reported and 30% at constant currency to £12.3 million (2019: £9.4 million) reflecting the inclusion of Biomatlante sales following its acquisition in November 2019. AMS expects to make significant progress selling Biomatlante products under the RESORBA® brand through the existing sales infrastructure and some initial sales have been made into Germany during the year. In addition, AMS is also looking to sell more of its dental and orthopaedic collagens and sutures via the existing Biomatlante customer base.

In November 2020, the Group filed a 510(k) application for freeze dried bone substitute (FDBS) which would be the first US approval for any of Biomatlante's newer innovative products. The FDBS platform has strong cohesive properties when mixed with fluids, can be easily moulded for optimal surgical placement and will open up opportunities for the addition of active ingredients such as platelets, stem cells or synthetic peptides. AMS anticipates 510(k) approval in the next 12 months.

Collagen loaded with Vancomycin has been sold in Germany for several years on a named, patient prescription only basis and we continue to progress a full CE mark to allow broader promotion and sales. AMS is currently progressing with an MDD application but will move to proceed under MDR as necessary. The Group continues to work with both EU and US regulators on wider market approvals for its antibiotic loaded collagen pacemaker pouch, also currently sold via prescription in Germany.



Operating Review – Woundcare Business Unit

Strengthening our woundcare capabilities and product range with exciting technologies will help us to deliver growth

Woundcare Business Unit

The Woundcare Business Unit is comprised of a multi-product portfolio of advanced woundcare dressings sold under partner brands and under the ActivHeal® brand, plus a portfolio of specialist medical bulk materials now including the multi-layer woundcare and bio-diagnostics products that came with the acquisition of Raleigh Coatings.

Revenue decreased by 20% to £36.6 million (2019: £45.8 million) due to COVID-19 impacts on sales volumes.

Woundcare Business Unit	2020 £'000	2019 £'000	Reported change	Change at constant currency
Infection Management	15,289	20,555	-26%	-25%
Exudate Management	15,413	19,271	-20%	-20%
Other Woundcare	5,925	5,998	-1%	-1%
TOTAL	36,627	45,824	-20%	-20%

During 2020, AMS successfully obtained MDD extensions until 2024 for all the remaining products in its woundcare range. Consequently, the Group has secured the maximum time possible to complete compliance with the new MDR certification requirements. AMS has a dedicated team in place focused on completing the work for each product in good time to allow regular approvals across the next three years.

Despite the lower market growth rates and consolidation activity in the woundcare market, the Board is confident that the following catalysts position our Woundcare Business Unit for good growth:

- The approval of several new products.
- The addition to the Group of Raleigh Coatings.
- ActivHeal® potential in select new markets.
- The opportunities expected to arise from MDR.

Infection Management

The Infection Management category comprises advanced woundcare dressings that incorporate antimicrobials such as Silver and Polyhexamethylene Biguanide (PHMB). Revenue decreased by 26% on a reported basis and 25% on a constant currency basis to £15.3 million (2019: £20.6 million) predominantly due to COVID-19 impacts.

During the year, the Group's Silver Moisture Wicking Fabric product was launched with two US partners and Silver High-Performance Dressings were launched with a second US partner. Volumes were impacted by COVID-19 restrictions, which limited access to potential customers and promotional opportunities.

In November 2020 AMS obtained CE mark approval for the Silicone PHMB foam range that sits alongside the US approval for this product, which was granted in late 2019. The silicone variant of the Group's PHMB range provides gentle but secure adhesion in addition to existing performance characteristics such as rapid microbial activity and eradication of pathogens. This provides AMS with a strong product for the growing antimicrobial foam market.

During 2020, AMS completed the development of a Debridement pad which clinicians use to prepare the wound bed and enhance wound healing. The Group successfully obtained approval for use in FDA markets and also progressed European approval by submitting the CE mark application.

Following progress made in 2020, the Group is now positioned to obtain a full anti-microbial claim for our Silver High Performance Dressing in 2021 which will unlock deeper penetration of the US antimicrobial gelling fibre market with a patent protected product that has excellent performance characteristics. We expect to submit the special 510(k) application in Q2 2021.

In December 2020, an exclusive five-year agreement for one of the Group's silver alginates came up for renewal. Discussions with the customer are expected to conclude by the middle of 2021 and may incorporate other avenues for AMS to maximise value with this product over the next five years.

Looking ahead, the Group continues to work on developing next generation high-gelling products with differentiated anti-biofilm claims and an application of its surgical tissue scaffolds in a woundcare environment.

Exudate Management

Exudate Management comprises advanced woundcare dressings and gels which do not incorporate any antimicrobial elements. Raleigh's results are reported within exudate management and provides significant growth opportunities. Revenue decreased by 20% to £15.4 million (2019: £19.3 million).

AMS has progressed the initiative to find and appoint new distribution partners for ActivHeal® in markets with strong demand for high-quality, cost effective dressings and where current key partners have no or low presence. A number of ActivHeal® contracts were signed in 2020 and these partners are expected to launch in 2021, contributing significant additional sales value over the next five years. Registrations are being pursued in additional territories with a view to further exploiting this growth opportunity.

The acquisition of Raleigh in November 2020 significantly strengthens AMS's woundcare position by bringing acrylic and silicone coating and perforation in house, providing opportunities for cost savings and aiding product development. In addition, Raleigh's products and expertise will allow AMS to win new customers and enter into new markets such as the bio-diagnostic testing sector and brings an R&D pipeline of new projects in the medical space. AMS recorded £0.7 million of sales in 2020 relating to Raleigh.

With the heightened attention on the prevention of pressure ulcers in all major markets, it is pleasing to add a product in this indication to the existing US silicone foam range. It will enable our customers to promote the expanded range for this increasingly important patient concern.

Other Woundcare

Other Woundcare comprises royalties, fees and woundcare sealants. Revenue decreased by 1% on a reported and constant currency basis to £5.9 million (2019: £6.0 million) mainly due to a minor decrease in sealant revenue. Royalty and fee income, which includes the Group's licensing arrangement with Organogenesis, remained consistent.



Stakeholder Engagement and s172

Effective engagement with our key stakeholders and managing our impact on stakeholder interests

Effective engagement with our stakeholders is critical to the business. It helps us to appreciate the impact our decisions have on stakeholder interests and better understand their needs and concerns. It strengthens our relationship with them, is an ongoing part of the operational management and governance of the Group, and is key for long-term sustainable growth.

S172 Statement

As required by s172 of the Companies Act 2006, a Director of a company must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In so doing, the Director must have regards, amongst other matters, to the:

- Likely consequences of any decision in the long-term.
- Interests of the company's employees.
- Need to foster the company's business relationships with suppliers, customers and others.
- Impact of the company's actions on the community and environment.
- Desirability of the company maintaining a reputation for high standards of business conduct.
- Need to act fairly between members of the company.

Our Stakeholders

Patients

The patient is at the heart of everything we do and patient needs are fundamental to our success. We develop innovative products for our patients to create quality outcomes, minimise complications and improve patient safety and comfort.



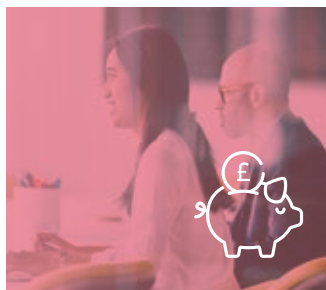
Employees

We are a people-centric, equal opportunity business driven by our Care, Fair, Dare values and employ over 700 people in 11 international locations, aiming to develop them to the best of their abilities whilst maintaining their safety and well-being.



Investors

Effective communication with shareholders on strategy and governance is critical. External strategic communications advisors provide support to manage the relationship with investors and analysts and assist with market interactions and announcements.



How AMS met s172 requirements in 2020

The Board received regular updates on how the business has engaged with stakeholders, any feedback received and the impact on existing policies and procedures. Board reports consider the impact on stakeholders. Enhanced Environment, Health and Safety Reporting was put in place to better understand how to reduce the impact on our communities. The move from sustainability to Environmental, Social and Governance (ESG) reporting, and how to best meet market expectations, is now a key project for the Group and stakeholders will be engaged in the ESG process in 2021.

Ensuring high standards of business conduct is critical for the success of the Group. The Board receives regular updates throughout the year on ethical and compliance issues. Our Corporate Governance Report on pages 56 to 62 identifies policies and guidelines governing our approach to anti-corruption, anti-bribery, social matters and human rights. Consideration of the long-term impact of decisions is integral to approval of the strategy. Our strategic progress in 2020 is disclosed in the Chief Executive's Q&A on pages 14 and 15 and in the review of Our Strategy on pages 18 to 23.

Engagement in 2020

- Worked closely with industry bodies and charities in our markets to enable us to keep informed of any trends or changes that will affect our patients.
- Pre-Market Approval (PMA) on LiquiBandFIX8® and other clinical work to develop products with ambition to improve quality of life and outcomes from surgery.
- Post-market surveillance to garner end user feedback.
- Recruitment of end users for clinical studies to help validate products to improve patient experience.

- Focused on providing a COVID-19 safe workplace for our employees, customers, suppliers and sub-contractors, requesting regular feedback on any issues at sites. Our safety performance improved with an All Incident Rate (AIR) score of 2.8 (2019: 2.9).
- Enhanced Environment, Health and Safety reporting to the Board and SMT, increasing the focus on reducing our environmental impact.
- Employee Forums, Works Council and Safety Committees acted as forums to achieve closer engagement with employees and allow regular access to Group HR.
- Communication with employees through our intranet, newsletters, an SMT portal, CEO roundtables and Group Whistleblowing Policy.
- Care, Fair, Dare further developed through cultural workshops, employee engagement surveys and appraisals.

- 139 investor or analyst meetings covering areas including results, strategy, markets, R&D pipeline, acquisitions and dividends.
- Consulted with major shareholders and proxy agencies ahead of 2020 AGM on issues such as Director independence, tenure and number of Board appointments.
- Brokers provided analysis of investor and analyst feedback.
- Notified of any concerns of retail shareholders which provides a good perspective on drivers for investment.
- Our AGM provides an opportunity for engagement with investors to provide updates on performance and activities, however, due to COVID-19 the 2020 AGM was a closed meeting.
- Trading updates, full and half-year announcements, product approvals and COVID-19 updates kept shareholders informed regularly on performance.

Outcomes in 2020




- Gained real world data on products as part of the product lifecycle.
- Certification of a number of new Woundcare and Surgical products.
- Endorsement from Tissue Viability Society on education and training.
- Consolidated view in market that silicone is the adhesive of choice.

- Updated training and information for employees regarding COVID-19 and developed a Health and Well-being platform for mental health. Implemented ways of supporting employees, including home working.
- Introduced environmental and energy management systems.
- Women in all recruitment selection pools and on all interview panels with diversity a focus in the recruitment process.
- Nominated Penny Freer as the designated Non-Executive Director for workforce engagement. Penny reviewed the work carried out during the global pandemic.
- Board analysed talent reviews included five-year training and development plans, which lead to the restructuring of the Surgical Business Unit.
- In 2021 there will be a review of culture to assess understanding and perception.

- Board refreshment and succession plan implemented for the Non-Executive members following feedback from shareholders and proxy agencies.
- Improved guidance to market on impact of COVID-19, financial performance, product approvals and R&D pipeline, clinical studies, acquisitions and impact of Brexit.
- Increased investment in major R&D and regulatory projects and continued to look for further acquisitions that meet our criteria.
- More insight into what our shareholders expect.

Stakeholder Engagement and s172 continued

Engagement with our stakeholders helps us to appreciate the impact our decisions have on their interests and better understand their needs and concerns

	Our Stakeholders	Engagement in 2020
	<p>Clinicians</p> <p>We work with clinicians and Key Opinion Leaders to ensure our products are clinically safe and meet regulatory requirements as swiftly as possible.</p>	<ul style="list-style-type: none"> • Invested in industry-leading training and education such as our ActivHeal® Academy to deliver free educational programmes endorsed by UK Tissue Viability Society. • Developed new clinical articles for our newer product lines (Aquafiber Extra, Silicone Foam and Silicone Foam Lite). • Continued to build our subscription database to keep them informed of our brands and current activities. • Maintained the Sealantis CMO relationship and initiated development of Clinical Advisory Boards for guidance, clinical trial development and PMA preparation of clinical use and market development for Seal-G®. • Conducted virtual symposia and market surveys and 'Voice of Customer' for key Surgical products focusing on Perception, Price and Positioning ahead of clinicals, training and launches.
	<p>Partners</p> <p>Our network of over 100 distribution partners for our branded products and our global OEM partners allow us to provide quality outcomes for patients we cannot reach directly.</p>	<ul style="list-style-type: none"> • Ensured partners have the opportunity to speak to key employees at any time regarding any concerns. • Provided education and training through dedicated websites and online tools, including social media platforms such as launching ActivHeal® on Facebook and Instagram. • Provided value-based incentives and pricing schemes that created win/win relationships with our partners. • Quarterly Business Reviews (QBRs) with major partners to gain market and product feedback. • Provided masterclasses, allowed Key Opinion Leaders the opportunity to learn our products and participated in industry clinician groups. • Aligned our pipeline of new products and value-added services and customer support programmes with partners.
	<p>Regulators</p> <p>We engage with Competent Authorities and Notified Bodies in order to operate within the appropriate regulatory and legal framework and successfully ensure our products have approval for use in the target markets.</p>	<ul style="list-style-type: none"> • Committed to being open and transparent with regulators and to work closely with them. • Worked in partnership with Notified Bodies to ensure we understand the latest regulatory programme and that our products are approved as quickly as possible. This included monthly meetings, clear contacts and lines of communication, and attending workshops on MDR. • Continued to work with multiple Notified Bodies to get our products approvals extended under MDD.

Outcomes in 2020

- Increased loyalty and positive feedback in the market for ActivHeal®, with 96% of clinicians viewing the provision of educational materials as important and 100% indicating that they benefited greatly from it.
 - ActivHeal® awarded best website and finalist status for the best education campaign (Wound Care Today) and finalist status for the best education campaign with the Chartered Institute of Marketing.
 - Expanded use of clinicians and advisory bodies to expedite product approvals.
 - Extensive survey through industry-leading journal gained insight as to how our ActivHeal® brand is perceived by clinicians.
-
- Following clinical feedback from the NHS Clinical Evaluation Team, made further improvements to our best in class packaging.
 - Conducted 'Voice of Customer' and focus groups to review products and ideas to provide feedback on a regular basis.
 - Leveraged our 'best in class' LiquiBand® evaluation support tools to train and support evaluation and implementation of our products.
 - In 2021 we will work to establish clinician/advisory panels focusing on woundcare and microbiology, identifying technologies to meet clinical need.
-
- Gained increased understanding of regulatory requirements during the extended MDR transition period, improving regulatory guidance and service to partners and clinicians.
 - Improved success on new product approvals, taking advantage of the MDD extension by renewing further CE Marks under MDD, with a full product range achieving this for a further five years.
 - Significantly increased resources available to invest in regulatory affairs following increased Board exposure to the issues.
 - Broader understanding of MDR and other legislation affecting the Group, ensuring Board decisions are based on the full understanding.
 - Improved Board understanding of key drivers for the Notified Bodies and Competent Authorities, leading to more informed decisions.

Our Stakeholders



Our Patients



Our Employees



Our Investors



Our Clinicians



Our Partners



Our Regulators



Our Communities



Our Supply Chain

Stakeholder Engagement and s172 continued

Strengthening our relationships with stakeholders is an ongoing part of operational management and governance, supporting the implementation of ESG

Our Stakeholders	Engagement in 2020
 <p data-bbox="501 651 675 678">Communities</p> <p data-bbox="501 703 852 875">Our values encourage us to support charitable causes, both locally and nationally, and to contribute to the local community. We want to further engage with our communities as part of our ESG framework which will be implemented over the next 12 months.</p>	<ul data-bbox="890 703 1441 1133" style="list-style-type: none"> • Encourage employees to participate, taking part in Passion for Learning, an organisation focused on boosting children’s confidence and self-esteem and providing resource for St Luke’s Hospice. • Participate in the local communities through charitable giving and other activities, such as local business groups. • Allocated matching charity funding (with an appropriate financial cap) raised by each site and individuals for their chosen charities. • Long-standing relationship with selected charities, including St Luke’s Hospice and Jeremiah’s Journey, who provide free support to children, parents and carers who have experienced the death of someone special. • Sponsor local community events and sports teams, and sports teams of employees and their close family members.
 <p data-bbox="501 1155 719 1182">Our Supply Chain</p> <p data-bbox="501 1211 863 1458">We work with suppliers to ensure continuity of supply to customers, achieving this through robust supply agreements, minimising sole supply of materials and a comprehensive supplier audit programme, whilst developing supplier relationships, adapting to remote supply management and ensuring suppliers comply with our Ethical Sourcing Policy.</p>	<ul data-bbox="890 1211 1453 1619" style="list-style-type: none"> • Met with suppliers and sub-contractors to ensure we receive the level of service expected, contracting on favourable commercial terms. • Held business briefings for new and existing sub-contractors to ensure they are aware of our plans and can provide performance feedback. • Numerous remote meetings were held with a key supplier who experienced capacity constraints due to COVID-19. • Enhanced sourcing function to support R&D in project delivery and de-risking supply chain. • Awareness of importance of complying with all payment terms and complying with requirements to disclose payment terms as required by Section 3 of Small Business, Enterprise and Employment Act 2015. • Enhanced Supplier Approval Scheme.

Business Conduct

The Group aims to maintain a reputation for high standards of business conduct. We aim to comply with, and in many cases exceed, the requirements for an AIM-Listed Company. This is highlighted by the Group policies outlined in the Non-Financial Reporting Statement on page 35. In particular, we have an increased focus on our impact on the environment, with more comprehensive reporting across the Group and voluntary disclosures on our environmental impact. The Stakeholder Engagement section on pages 30 to 35 outlines our commitments to our investors, customers, communities, environment and supply chain, and builds on our aim to act as a good corporate citizen.

In addition we follow the 2018 UK Corporate Governance Code (Code), which is the most comprehensive and stringent governance code in the UK. Reporting against the Code ensures we maintain our high standards of corporate governance and act in the way our stakeholders would expect.

Outcomes in 2020

- Employees gained a better understanding of the needs of their local community and the work our chosen charities carry out.
 - Substantially increased focus on charities and charitable giving.
 - Increased focus on employee volunteering and contributions.
-
- Risk mitigation plans resulted in continuity of supply.
 - Ongoing discussions with suppliers have led to mutually beneficial arrangements, for example improved sterilisation turnaround.
 - Supported innovation team, helping manage R&D investment.
 - Robust supplier audit schedule to enhance regulatory compliance.
 - Payment practices compare favourably with industry norms.
 - Increased number of suppliers have contractual terms in place.

Non-Financial Reporting Statement

This Annual Report contains the information required to comply with the Companies, Partnerships and Groups (and Non-Financial Reporting) Regulations 2016, as contained in sections 414CA and 414CB of the Companies Act 2006. The table below provides key references to information that, taken together, comprises the Non-Financial Reporting Statement for 2020.

Reporting requirement	Group Policies that guide our approach	Information and risk management, with page references
Environmental matters	<ul style="list-style-type: none"> – Environmental Policy – Ethical Sourcing Policy – Sustainability Policy 	<p>Reporting on our environmental impact – pages 38 to 41</p> <p>Business at a Glance – pages 2 and 3</p> <p>Risk Management – pages 46 to 49</p>
Employees and social matters	<ul style="list-style-type: none"> – Equality, Diversity and Inclusion Policy – Community Support – Health and Safety Policy – Environmental Policy – Ethical Sourcing Policy 	<p>Reporting on our environmental impact – pages 38 to 41</p> <p>Business at a Glance – pages 2 and 3</p> <p>Risk Management – pages 46 to 49</p> <p>Stakeholder Engagement – pages 30 to 35</p> <p>Our Strategy – pages 18 to 23</p>
Respect for human rights	<ul style="list-style-type: none"> – Anti-Slavery Policy – Ethical Sourcing Policy – Modern Slavery Act Policy 	<p>Corporate Governance Report – pages 56 to 62</p>
Anti-corruption and anti-bribery matters	<ul style="list-style-type: none"> – Anti-Bribery Policy – Gift Policy – Sanctions Policy – Whistleblowing Policy – Ethical Sourcing Policy 	<p>Audit Committee Report – pages 63 to 65</p> <p>Risk Management – pages 46 to 49</p>
Description of the business model		<p>Business at a Glance – pages 2 and 3</p>
Description of the principal risks in relation to the above matters, including business relationships, products and services likely to affect those areas of risk, and how the Company manages the risks		<p>Risk Management – pages 46 to 49</p>
Non-financial key performance indicators		<p>Key Performance Indicators – pages 24 and 25</p>

ESG and Sustainability

Developing a robust ESG Framework, building on our principles of sustainability

Effective management of health, safety, environment, quality, energy, carbon emissions and ethical sourcing is part of our Sustainability Policy. Our ESG strategy and framework will take the next step, identify issues that are a priority for our stakeholders and set out how these will be addressed. We intend to report on continuing progress in subsequent annual reports as we focus on long-term sustainable success.

“Although our activities in 2020 have focused on reducing our environmental impact we appreciate that ESG is much wider than this and our framework will reflect that. ESG is a focus for the Board both now and for the future.”

Peter Allen
Chairman

Sustainability priorities

Developing products that provide better outcomes for patients and clinicians

- Working with patients, partners and clinicians to identify unmet needs.
- Industry-leading educational materials and training to support clinicians and partners.



3

Number of new products released
2019: 3



Creating a great place to work for our employees

- Focusing on employee safety, flexible working and providing assistance in respect of COVID-19.
- Eliminating discrimination, develop employees and treat them equally.



78%

Employee Engagement
2019: 48%



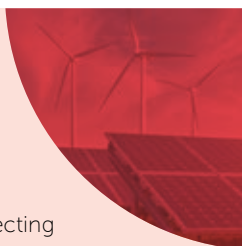
Reducing our environmental impact

- Reducing emissions, improving efficiency and use of sustainable resources.
- Reducing waste, recycling, protecting water quality and re-use of materials.



20.72

CO₂e emissions per £k sales (KG)
2019: 25.14



Supporting local communities

- Providing local employment and encouraging employee volunteering in the community.
- Providing financial support for employees' charity work and focus on chosen charities.



£16k

Charitable donations*
2019: £26k



* Charity work in 2020 impacted by COVID-19.

Sustainability Policy and activities in 2020

With over 700 employees across 11 sites, the Group recognises that its activities have wide-ranging and interconnected impacts on the economy, environment and society. The below activities were part of our Sustainability Policy in 2020:

Health, safety and wellbeing

- Committed to minimising workplace risk by assessing risk and implementing Best Practice mitigations.
- Implementation of plans to protect the health, safety and mental well-being of employees, including occupational health surveillance, Cycle-To-Work schemes and employee engagement initiatives during home working.
- Continual improvement of health and safety processes and implementation of a Health and Safety Policy Statement and Group Standards Manual.

Environmental responsibility

- Stringent targets to reduce carbon emissions and energy consumption by improving efficiency and use of renewable sources.
- Apply principles of sustainable environmental stewardship, working with landlords and local communities to implement biodiversity net gain and safeguarding geodiversity.
- Use water efficiently, recycle where possible and protect water quality.
- Developing a sustainable travel plan through our car fleet and aim to reduce the number of, and need to take, journeys.

Resource use

- Use resources sustainably and substitute primary resources wherever possible.
- Implement waste prevention, re-use of materials, recycling, and energy recovery to minimise waste disposal.
- Encourage employees to suggest ideas to reduce energy use and pledge ways they can personally help to achieve this.
- Understand the wider environmental factors that may impact the business.
- Leverage our training function to develop information around environmental activities.

Business and product innovation

- Engage with stakeholders to develop our products for sustainable performance.
- Committed to complying with ISO 13485 and working towards implementation of ISO 14001 and ISO 50001 which focus on environmental and energy management.
- Developing products that improve the outcomes for patients.
- Explore efficiencies within our projects and products, ensuring that we are utilising the most efficient processes.
- Utilise innovations which have a positive impact on climate change.

Being committed to our community

- Identify and consult with local community stakeholders close to our operations.
- Encourage employee volunteering for community projects and financially support employees in charity work or activities.
- Provide employment using local sourcing and businesses and build our business on the basis of responsible practices.
- Ensure that community interests are considered as part of the decision making process at all sites.

Equality, diversity and inclusion

- Flexible working arrangements to support fitness, health and childcare and provide employee assistance programmes.
- Care about the work we undertake and the real life differences we can make, acting with integrity and fairness.
- Eliminate all forms of discrimination, promote diversity and give fair and equal treatment to all employees and our supply chain.
- Provide employees with a Personal Development Plan, providing feedback and support from managers and peers.
- Value our workforce and ensure they are appropriately skilled and competent to carry out their roles.

ESG and Sustainability continued

The Group is an environmentally conscious organisation which acknowledges the impact its operations and services may have on the environment

Environment

It is the Group's policy to abide by all laws, directives and regulations relevant to its field of operations and we aim to minimise the effects of our operations on the environment.

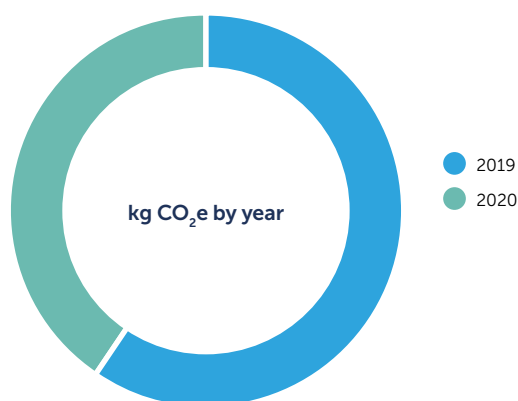
In line with increasing stakeholder expectations on environmental issues, the Group aims to minimise energy and water consumption and reduce, recycle and re-use our resources to prevent the unnecessary waste of materials. In 2020 the Board endorsed an Environmental Policy and committed to develop our Environmental programmes in 2021 with the adoption and ultimately certification of the internationally recognised ISO standards, for Environmental Management (ISO 14001) and Energy Management (ISO 50001). 2020 targets included no breaches of environmental permits or consents and agreement of Environmental Policies incorporating Energy Management, both of which were met.

We have agreed future sustainability targets which include ISO accreditation, ESG sustainability framework development and commitment to both United Nations Sustainable Development Goals and the UK Ten Point Plan for a Green Industrial Revolution. The Group is giving greater visibility to ISO 14001 to drive a positive culture on environmental issues. This is supported by sustainability and environmental activity being discussed at Board meetings on a quarterly basis, using this as a platform to develop initiatives, gain commitment and get buy-in for trickle activity. To further develop the change of mindset, an Environmental Pledge programme was developed and was launched across the Group in 2021, allowing all AMS employees to participate and pledge how they can change either their view or activities they undertake both in and out of the working environment. We also initiated e-signatures to reduce printing and postage.

Our focus – Streamlined Energy and Carbon Reporting

We complied with the Streamlined Energy and Carbon Reporting (SECR) regulations in 2020. In 2019, we measured our environmental impact in line with the SECR requirements and planned the actions we needed to implement in 2020 and beyond as are outlined in this report.

Our focus in 2020 was to review and determine the areas where we make our largest environmental impact. We considered all manufacturing locations, warehouses, R&D sites and offices. The acquisition of Biomatlante, based in Nantes, France, in late 2019 is included in our 2020 reporting. Our findings below do not include the acquisition of Raleigh made in late 2020. Our emissions reporting represents all core business operations and facilities which fall within the scope of our Consolidated Financial Statements. Primary data from energy suppliers has been used wherever possible.



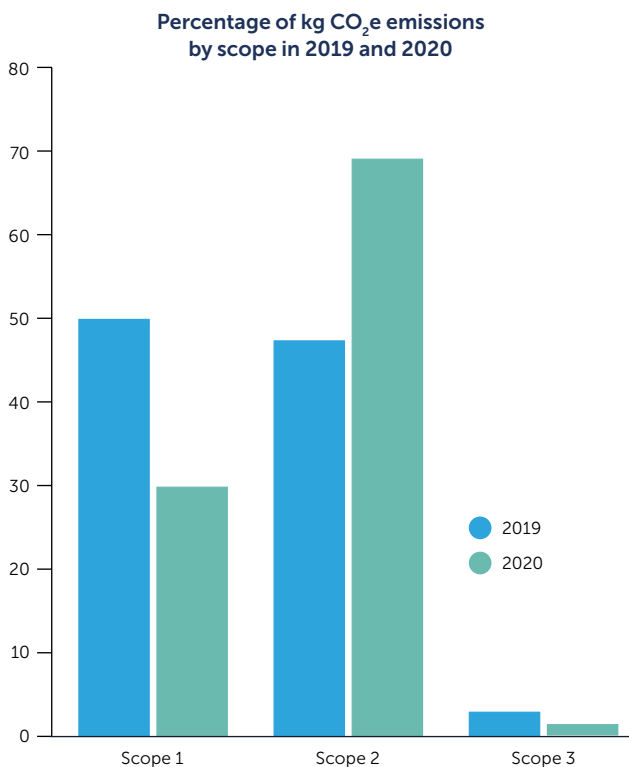
We report our emissions in three scopes which come from the internationally recognised ISO standards (ISO 14069:2013).

Scope 1 – All Direct Emissions from the activities of an organisation or under their control, including fuel combustion on site such as gas boilers, fleet vehicles and air-conditioning.

Scope 2 – Indirect Emissions from electricity purchased and used by the organisation. Emissions are created during the production of the energy eventually used by the organisation.

Scope 3 – All Other Emissions from activities of the organisation, occurring from sources that they do not own or control.

Location-based emissions are calculated in compliance with the factors published by BEIS/DEFRA in June 2020.



In 2020 we committed to investigating ways in which we can sustainably offset the carbon we generate. This has been reviewed and plans developed to include a range of both internal and external activities, for example, the use of internal controls requesting environmental and/or energy consideration when planning and implementing projects, this is aimed at both individual locations and Group activity. We are looking to develop links both locally to all our locations and where possible supporting international carbon reduction projects.

In the long-term AMS will assess the commitment required to develop carbon neutral processes and policies.



Case Study – Reducing our environmental impact

In 2020 our Plymouth site undertook a project looking at energy consumption.

The investigations with a local provider established that 494 photovoltaic solar panels on the roof of the building should provide a substantial renewable source of energy to the site.

After quantifying the energy and environmental returns the project received SMT approval and is the first of its type within AMS, a key step in becoming a more sustainable business. The return on investment is longer than usual but the goals in both the short and long-term far outweigh any longer payback. The key benefits are expected to be:

- Will provide over 20% of site electricity per year.
- Equivalent Carbon saving of in excess of 1,900 trees per annum, removing 41 tonnes of CO₂e from being released through traditional electricity generation.
- Will generate 140 MWh per year, saving over 40 tonnes of CO₂e (1,800 trees).
- Supports the local economy as the project is being developed and planned in conjunction with a local provider.

“We see this project as a key part of our drive to reduce both our carbon footprint and energy costs. Over the next 25 years we will save over 1,000 tonnes of CO₂e, the equivalent of 45,000 trees. It is important to the employees at the Plymouth site to contribute to the Group’s ESG and sustainability goals.”

Michael Browne

Operations and Quality Manager – Plymouth

ESG and Sustainability continued

AMS Group 2020 emissions (by footprint/scope and 2019 for comparison).

AMS Group 2020

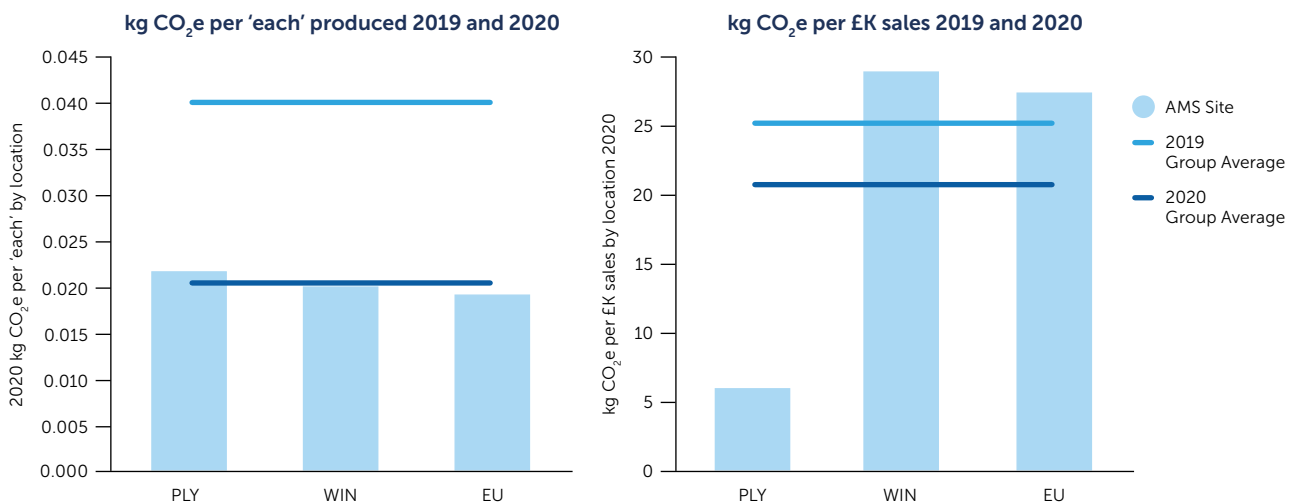
Footprint	Scope 1	Scope 2	Scope 3	GHG emissions (kg CO ₂ e)	Sub-total (kg CO ₂ e)
Premises					
Mains gas	248,249			248,249	1,581,726
Electric		1,310,640		1,310,640	
Water			10,798	10,798	
Waste			12,039	12,039	
Travel					
Company vehicles	172,504			172,504	172,504
Other					
F-gas losses	144,762			144,762	144,762
Total	565,516	1,310,640	22,838		1,898,992

AMS Group 2019

Footprint	Scope 1	Scope 2	Scope 3	GHG emissions (kg CO ₂ e)	Sub-total (kg CO ₂ e)
Premises					
Mains gas	700,741			700,741	2,103,477
Electric		1,322,642		1,322,642	
Water			9,998	9,998	
Waste			70,096	70,096	
Travel					
Company vehicles	406,308			406,308	406,308
Other					
F-gas losses	287,370			287,370	287,370
Total	1,394,419	1,322,642	80,094		2,797,155

A breakdown of the kg CO₂e per unit and per £k sales at our sites combined, together with a summary of the key data shows:

- Average kg CO₂e emitted from all reported activity was 0.02 KG CO₂e per unit sold.
- Average kg CO₂e emitted per £K of sales from all reported activity was 21.9 kg CO₂e.
- Business travel by car accounted for 9% of all kg CO₂e generated in 2020.
- Waste for 2020 accounted for less than 1% of the total reported footprint due to more efficient recycling, waste initiatives, a better understanding of our waste flows and continual improvement plans.
- Indirect emissions were the biggest area of kg CO₂e generation, accounting for 69% of emissions. This reflects sites being fully operational despite reduced numbers of staff on site and productions levels were lower due to COVID-19.



Reducing environmental impact – future plans

- Reporting and feedback on our environmental progress each year.
- Meeting our initial targets to reduce environmental burden through effective energy and environmental management. This is being further developed with the introduction of the ISO accreditation schemes.
- Entering into energy agreements with suppliers and committing to have contracts in place so that 50% of all electricity supplied to our sites by 2025 is generated from renewable sources (excluding nuclear). At the start of 2021 we sit at 35% from renewable sources.
- Investigate and implement (where appropriate) energy and environmental initiatives that will reduce our burden with proven reduction against our energy management plan.
- In line with our environmental and energy commitments, we will incorporate the United Nations Sustainable Development Goals and the UK Government's Green Industrial Revolution programme in all areas that can be made applicable to our business.
- Continue to review how much travel is necessary with improved communication methods as demonstrated across the world during the COVID-19 pandemic. The review of travel completed in 2020 outlined a reduction in miles travelled, and with some locations looking to restrict sales of petrol and diesel cars in the coming years and more viable methods of communication at our disposal, AMS will continue to review our fleet and our policies and processes behind this in 2021.

Social

Social factors will be a key aspect of the ESG framework and the actions in 2020 are set out below. We have considered a variety of Social factors and introduced a number of employee policies in 2020. We will further move our engagement forward in 2021 by introducing a Code of Conduct. As we come out of the pandemic we will look to increase our Community and Sponsorship work, which has been limited due to remote working. We will look to further strengthen employee engagement and maintain our high standards of health and safety.

Health and Safety/COVID-19

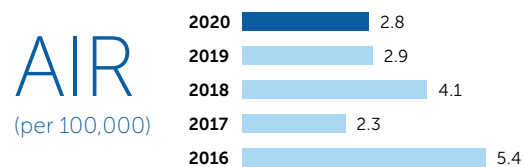
We are focused on maintaining the highest levels of health and safety within our business. We acted swiftly to the COVID-19 pandemic and provided consistent and regular communication to our employees around the world, ensuring open lines of communication to management. We established a COVID-19 Committee and cascaded down principles with regular calls to allow local leaders to implement changes. We had a focus on removing anxiety, providing clarity on legislation, and supporting physical and mental well-being. Our teams made sure that every person was kept updated with relevant information and had regular contact with their managers and teams.

The pandemic has highlighted our resilient can-do attitude, with many of our team seamlessly switching to home working while safely keeping our manufacturing sites open and maintaining a relentless focus on serving our customers. Feedback has been very positive and employees have continued to work effectively despite the challenging and uncertain circumstances. Individual teams have also worked hard to maintain good communication between colleagues and have made good use of video conferencing facilities.

The health and safety of our employees, as well as that of our customers, suppliers, sub-contractors and all other visitors to our sites and offices, is of the utmost importance to us. Health and safety is also a legal requirement and we must, therefore, continually improve our performance and adapt to change, such as the challenges raised by COVID-19. To achieve this aim, appropriate levels of resource are allocated to ensure a positive health and safety culture throughout the Group. Despite the challenges of COVID-19, our AIR (All Incident Rate) performance in 2020 reduced to 2.8 (2019: 2.9), significantly below the target of 4.0 set in 2019 which reconfirms our desire to continuously improve our safety performance and enhance our safety culture.

Total number of injuries x 1000

Total labour hours worked



Our commitment to health and safety is supported by the additional actions we took in 2020. We implemented a Health and Safety Policy Statement which was rolled out across the Group. Ensuring that all our sites, including those we have acquired in the last two years, have the same high levels of Health and Safety is important. All sites have active HSE Committees, which have been given a remit to also cover Environmental impact. New starter inductions include a mandatory Environment, Health and Safety induction, which includes workplace health and safety, environmental awareness, fire safety awareness and stress management. These improvements have been supported by the Group Health, Safety and Environmental Manager who was appointed in 2019.

Delivering for our patients, clinicians and partners

We aim to build strong, mutually beneficial relationships with clinicians and patients, with support from our suppliers and partners, who we rely on to meet the needs of our patients. We provide the highest levels of education, training and support, some of which is award winning, and utilise social media to engage with clinicians.

ESG and Sustainability continued

We expect our suppliers, partners, clinicians and customers to behave ethically and responsibly and to comply with their legal obligations and our Ethical Sourcing Policy. The Group audits our suppliers and manufacturers regularly. Quality compliance is a key part of the Group’s audit. We have been working to ensure that suppliers and customers have robust supply agreements in place for the benefit of both parties to ensure continued supply of products.

The Group fully supports the aims of the Modern Slavery Act 2015 to eradicate human slavery and trafficking. In particular, the Group wishes to ensure that no child labour or servitude of any kind or human trafficking has been involved in the supply and distribution of products or services. Further details of these steps can be seen in our Modern Slavery Statement, which is available on our website.

Our employees

The Group employs over 700 people in 11 international locations and is committed to a policy of equal opportunities in the recruitment, engagement, performance management and retention of employees. The multinational diversity of the Group’s workforce supports the distribution of products across the world.

We require 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, and to having a diverse workforce. In line with the Culture strategic pillar we aim to develop and retain our talent, allowing us to build skills to maintain an innovations culture and retain knowledge within our business. This is important to achieve the long-term strategic goals of the business.

We are an equal opportunities employer. We are committed to eliminating discrimination and to giving fair and equal treatment to all employees and job applicants regardless of age, disability, race, sex, sexual orientation, marriage or civil partnership status, pregnancy, maternity and paternity, gender reassignment, religion or belief. An Equality, Diversity and Inclusion 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. There is a policy of including women in all recruitment selection pools and on all interview panels.

We continue to ensure that our employees are kept informed of developments and important issues. These are cascaded throughout the business through a variety of channels including an intranet, emails and newsletters. The SMT meet monthly and information is also communicated through team meetings. This allows employees the opportunity to provide feedback or raise questions directly.

Employees are able to ask the SMT questions directly through a portal. We also have employee forums and site ‘town halls’ run by the CEO, where employees can ask questions directly. There is a Group Whistleblowing Policy which provides direct access to the Board. This is a mechanism for employees to communicate any concerns they may have. Penny Freer also engages with employees through her role as the Director responsible for Workforce Engagement.

As the Company grows, it is important that there are values and a culture which are understood in all locations in which we operate. At AMS this is underpinned by our Care, Fair, Dare values (see below). We have well established processes through which we seek feedback from our employees about their perception of our values and culture, and how employees have demonstrated the values during their interactions with them, which include cultural workshops, employee engagement surveys and exit interviews. To ensure our culture is driven from the top, the Board’s involvement in the review process is critical and the Board will undertake a more detailed review of our culture in 2021.

Gender ratio and reporting

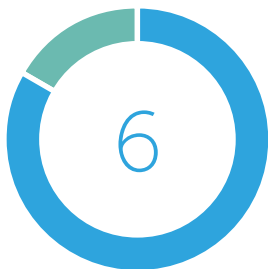
The Group recognises the importance of diversity, including gender, at all levels. The Group has a strong female representation on the Senior Management Team where women comprise 43% of positions. One Board member of the six appointed is female (16.6%) and of our over 700 employees, approximately 54% are female. The Group continues to actively seek to recruit and advance women into its top management through manager training, application monitoring and robust, transparent selection processes.

The AMS ‘Care, Fair, Dare’ values

	A culture of:	A focus on:
 Care	<ul style="list-style-type: none"> Listening, supporting and taking action Valuing contribution 	<ul style="list-style-type: none"> Quality The ‘Bigger Picture’
 Fair	<ul style="list-style-type: none"> Accountability and responsibility Leading by example 	<ul style="list-style-type: none"> Supporting and coaching The team not the individual
 Dare	<ul style="list-style-type: none"> Optimism and realism Determination and persistence 	<ul style="list-style-type: none"> Solutions not problems Continuous improvement

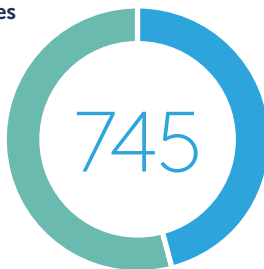
Main Board

- Male 5
- Female 1



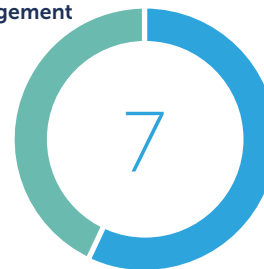
Total Employees

- Male 46%
- Female 54%



Senior Management Team

- Male 4
- Female 3



In 2020 we reported a disclosable mean pay gap of 35.3% in favour of our UK male employees (2019: 35.2%) with limited change in the structural profile of the UK employees. Our full report can be found on the Group website.

Charity

We encourage employees to engage with the community. Despite COVID-19 we continued to provide fund raising matching to a number of charities. During the year, there were various local fundraising activities across the different regions supporting a number of charities, including our chosen charities in the UK, St Luke’s Hospice, providing palliative care for local people, and Jeremiah’s Journey, support for children and young people who have experienced the death of someone special, as well as NHS Charities and Passion for Learning. Colleagues from our Dutch subsidiary carried out charity work for a food bank. We participate in the local communities, through events and charitable giving and also through other activities, such as having a position on the Board of the Winsford 1-5 Group, for businesses local to the Winsford Site.

In 2021 we will increase our support of local initiatives by helping to fund activities led by the Cheshire Community Foundation, with our CEO joining the funding Committee.

Governance

Governance has always been an area of focus for AMS. Our Corporate Governance Report on pages 56 to 62 and Remuneration Report on pages 66 to 76 outline our strength in this area, often going further than is required by an AIM quoted company and by following the stricter UK Corporate Governance Code.

We have outlined actions taken to increase diversity and strengthened our commitment to equality by increasing the scope of our Equality Policy and relaunching it to cover aspects covered in this report as the Equality, Diversity and Inclusion Policy.

Our approach to Risk Management is outlined on pages 46 to 49 and this has been further strengthened by the introduction of a comprehensive Business Continuity Plan in Q1 2021 with input and resource from our insurers.

Governance will be a foundation of our work for developing an ESG framework in the next 12 months and is an area where we feel significant progress has been made.



A behavioural style which is:

- Open-minded
- Respectful
- Transparent
- Inclusive
- Responsive
- Creative

A leadership style which:

- Builds engagement
- Motivates and retains
- Proactively communicates
- Empowers decision making
- Challenges the status quo
- Removes barriers and innovation

A set of values which:

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

Financial Review



“Despite the severe COVID-19 disruption, the Group remained profitable and generated strong operational cash flows while continuing to invest in key projects and increasing dividends.”

Eddie Johnson

Chief Financial Officer



The Group maintains its solid balance sheet and continues to invest in future growth

Summary

Group revenue declined by 15% at reported and constant currency. Adjusted profit before tax reduced by 50% as investment in R&D and other key projects continued and the employee base was retained, resulting in adverse operating leverage.

To provide the clearest possible insight into 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. AMS uses such measures consistently at the half year and full year and reconciles them as appropriate. The measures used in this statement include constant currency revenue growth, adjusted operating margin, adjusted profit before tax, adjusted earnings per share and adjusted net cash inflow from operating activities, allowing the impacts of exchange rate volatility, exceptional items, amortisation and the change in long-term liabilities to be separately identified. Net cash is an additional non-GAAP measure used.

Excluding exceptional items, administration expenses reduced marginally to £33.7 million (2019: £34.6 million), inclusive of losses arising from foreign exchange movements, as the Group implemented effective cost management although these were partially offset by higher amortisation of intangibles. The Group operated its factories at much lower volumes, resulting in under-absorption of its fixed costs and, to reflect the need for operational staff to continue attending Group sites during the lockdown period, additional one-off payments were made to these employees totalling £0.3 million. Furthermore, £0.4 million of UK job retention scheme support was repaid relating to our employees who were unable to work but still received their salary in full at the Group's cost.

The Group incurred £7.9 million of gross R&D spend in the period (2019: £6.5 million), representing 9.1% of sales (2019: 6.3%) reflecting increased investment in innovation and in meeting the increasing regulatory standards.

Exceptional items were £0.8 million in the year (2019: £1.1 million) relating to both the acquisition of Raleigh and our participation in a process, in which AMS was unsuccessful, for a sizeable surgical business.

Amortisation of acquired intangible assets was £2.3 million in 2020 (2019: £1.7 million) due to the full period effect of the acquisition of Sealantis in January 2019 and Biomatlante in November 2019.

A £0.2 million expense was recorded due to the change in the fair value of long-term liabilities recognised on acquisition of Sealantis in 2019 (2019: credit of £0.3 million).

Adjusted operating margin decreased by 10.5 percentage points to 15.9% (2019: 26.4%) and operating margin decreased by 11.3 percentage points to 12.4% (2019: 23.7%) predominately due to COVID-19 impacts.

Adjusted profit before tax decreased by 50% to £13.4 million (2019: £26.6 million) and profit before tax decreased by 58% to £10.1 million (2019: £24.3 million).

Reconciliation of profit before tax to adjusted profit before tax

	2020 £'000	2019 £'000
Profit before tax	10,089	24,257
Amortisation of acquired intangibles	2,269	1,683
Change in long-term liabilities	167	(345)
Exceptional items	834	1,053
Adjusted profit before tax	13,359	26,648

The Group's effective tax rate, reflecting the blended tax rates in the countries where we operate and including UK patent box relief, decreased to 14.9% (2019: 21.8%). The decrease was due to patent box claims relating to the newly granted LiquiBand® Exceed patents which can be retrospectively claimed.

Adjusted diluted earnings per share decreased by 45% to 5.44p (2019: 9.83p) and diluted earnings per share decreased by 55% to 3.94p (2019: 8.72p).

Reflecting the strong net cash position and confidence in the Group's prospects, the Board is proposing an increased final dividend of 1.20p per share, to be paid on 18 June 2021 to shareholders on the register at the close of business on 28 May 2021. This follows the interim dividend of 0.50p per share paid on 23 October 2020 and would, if approved, make a total dividend for the year of 1.70p per share (2019: 1.55p)

Revenue

£86.8m
-15%

2019: £102.4m

Net operating cash flow

£21.5m
-1%

2019: £21.7m

Proposed dividend per share

1.70p
+10%

2019: 1.55p

an increase of 10%. In line with best practice, AMS repaid the £0.4 million of UK Government furlough support that had been received during the year.

Operating result by business segment

Year ended 31 December 2020	Surgical £'000	Woundcare £'000
Revenue	50,169	36,627
Operating profit	6,962	5,220
Amortisation of acquired intangibles	2,132	137
Adjusted operating profit ⁴	9,094	5,357
Adjusted operating margin ⁴	18.1%	14.6%

Year ended 31 December 2019	Surgical £'000	Woundcare £'000
Revenue	56,544	45,824
Operating profit	14,411	11,370
Amortisation of acquired intangibles	1,675	8
Adjusted operating profit ⁴	16,086	11,378
Adjusted operating margin ⁴	28.4%	24.8%

Note 4: Adjusted for exceptional items and amortisation of acquired intangible assets
Table is reconciled to statutory information in Note 4 of the Financial Information.

Surgical

Surgical revenues decreased by 11% to £50.2 million (2019: £56.5 million) at both reported currency and constant currency. Adjusted operating margin decreased 1,030 bps to 18.1% (2019: 28.4%) as the Group was unable to offset costs in the same proportion to the decrease in revenue and as a result of increased investment in R&D, clinical and regulatory affairs.

Woundcare

Woundcare revenues decreased by 20% at both reported currency and constant currency to £36.6 million (2019: £45.8 million). Adjusted operating margin decreased by 1,020 bps to 14.6% (2019: 24.8%).

Currency

In the year, approximately one third of sales was invoiced in Euros and approximately one quarter was invoiced in US Dollars. The Group estimates that a 10% movement in the £:US\$ or £:€ exchange rate would impact Sterling revenues by approximately 2.8% and 3.4% respectively. 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. In the absence of this hedging, it is estimated that a 10% movement in the £:US\$ or £:€ exchange rate would have an impact on operating margin of 2.2 and 0.1 percentage points respectively.

Cash flow

Despite the unprecedented conditions, the Group delivered a strong net cash inflow from operating activities of £21.5 million (2019: £21.7 million) with the reduction in operating profit being mostly offset by favourable working capital movements.

Reconciliation of net cash inflow from operating activities to adjusted net cash inflow from operating activities

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Net cash inflow from operating activities	21,511	21,699
Add back exceptional items	613	1,053
Adjusted net cash inflow from operating activities	22,124	22,752

At the end of the period, following the acquisition of Raleigh for £22.0 million, the Group had net cash of £53.8 million (31 December 2019: £64.1 million).

Working capital decreased during the year, due to a decrease in receivables as a result of lower sales, partially offset by increased inventory levels and lower payables. Inventory cover was temporarily increased to 5.7 months of supply (2019: 5.1 months) in preparation for potential supply chain risks relating to COVID-19 and the end of the Brexit transition period. Debtor days decreased to 45 days (2019: 49 days) due to customer mix and Creditor days decreased to 30 days (2019: 34 days).

Capital investment in equipment, R&D and regulatory costs decreased slightly to £5.3 million (2019: £5.9 million), with a high proportion of R&D costs being expensed in the year.

Cash outflow relating to taxation decreased to £3.7 million (2019: £5.9 million) due to lower taxable profits, partially offset by the requirement to accelerate payments on account in the UK.

The Group paid its final dividend for the year ended 31 December 2019 of £2.3 million in June 2020 (2019: for the year ending 2018, £1.9 million in June 2019), and its interim dividend for the six months ended 30 June 2020 of £1.1 million in October 2020 (for the six months ended 30 June 2019: £1.1 million in October 2019).

The Group has an undrawn unsecured £80 million credit facility provided jointly by NatWest and HSBC which is in place until December 2023. 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.

Risk Management

Creating quality outcomes by managing risk

Risk and uncertainty are an inherent part of doing business which could impact 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.

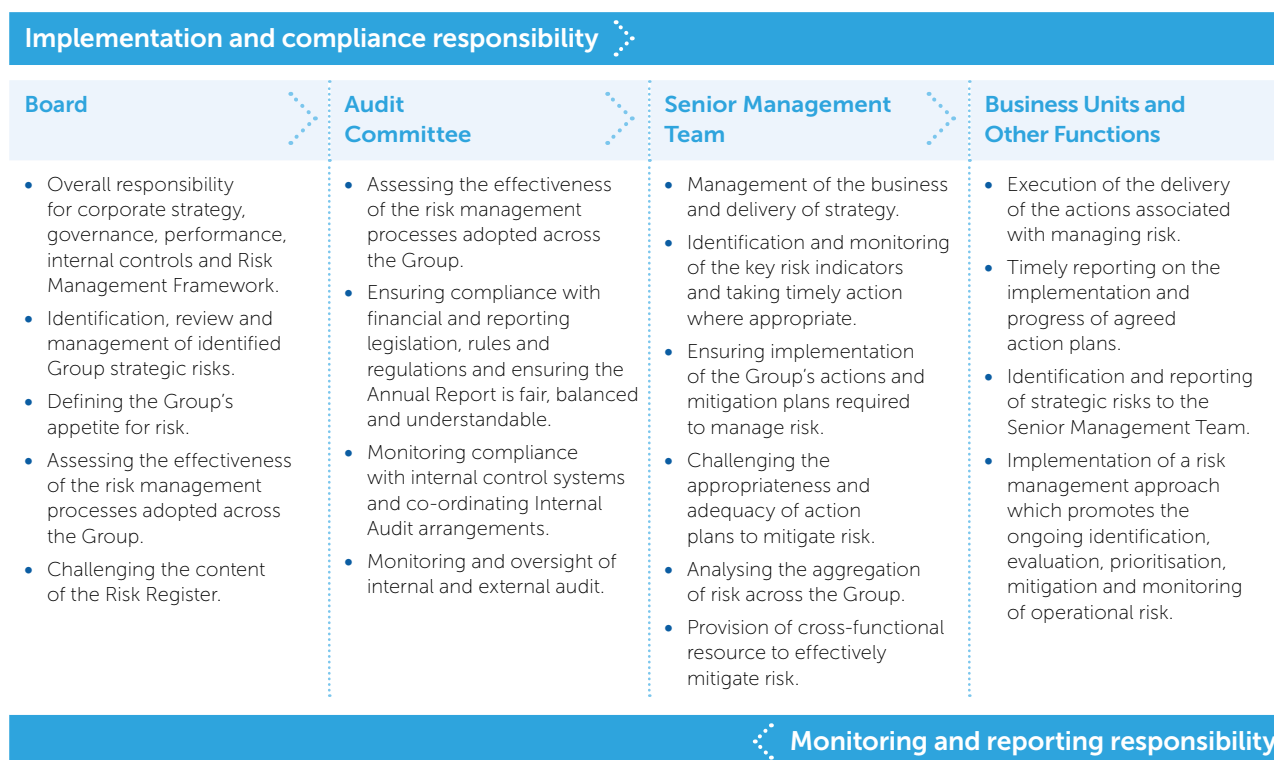
The Board has applied principles 28 and 29 of the 2018 UK Corporate Governance Code (Code) by establishing a continuous process for identifying, evaluating and managing the significant risks the Group faces, as outlined on page 47, and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives.

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, and is carried out in accordance with the relevant provisions set out in the Code.

Key Roles and Responsibilities



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

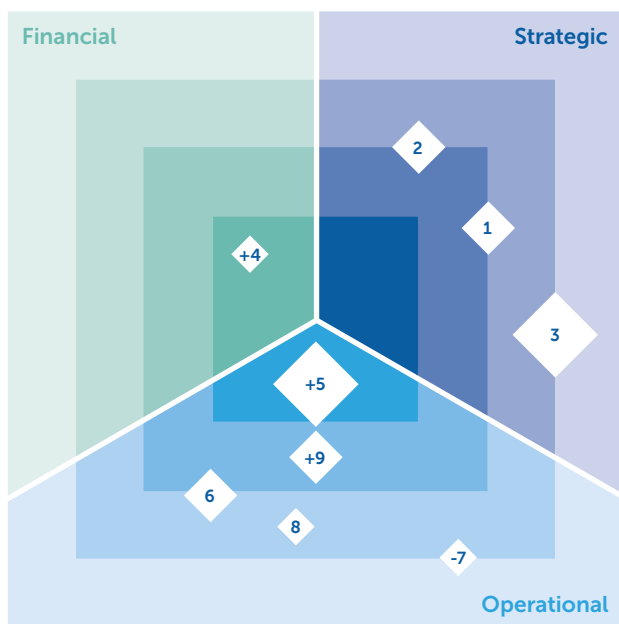
The SMT and the Board review the Risk Register formally at least twice a year, assessing whether the risks are still the most significant facing the Group and whether new risks have arisen. Effectiveness, adequacy of controls and mitigating actions are assessed and if additional controls or actions are 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 the progress of control or process improvements following Internal Audit recommendations.



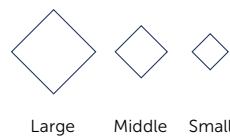
Risk Heat Map

While we continue to monitor and manage a wide range of risks, the risk map summarises those risks considered to have the greatest potential impact if they were to materialise.

Principal Risks

- | | |
|----------------------------|------------------------|
| 1 Lack of growth | 6 Regulatory |
| 2 Poor ROI from R&D | 7 Single source supply |
| 3 Acquisitions/integration | 8 Cyber-risk |
| 4 Forex | 9 Talent management |
| 5 COVID-19 | |

Risk Size



Likelihood






Trend (net position of risk vs FY2019):




Risk Management continued

Strategic Risks






Risk	Potential Impact	Key Controls and Mitigating Factors	Status
<p>1</p> <p>Lack of growth</p>	<ul style="list-style-type: none"> Income shortfall. Market capitalisation impacted. Reduced profit. Loss of competitive advantage. Loss of key partners. 	<ul style="list-style-type: none"> Development and launch of new products to secure existing and new customers and drive future growth. Implemented a more flexible partnering approach. Diversified approach reduces the impact on any one project, partner or product. Contracts with agreed set minimum which allow terms to be renegotiated or agreements terminated. Evaluation of opportunities to broaden reach into new markets or adjacent sectors and new claims for existing products. Ongoing evaluation of incoming technologies for licensing. Full-service offering including strong regulatory and quality assurance, product development, product differentiation and clinical support to mitigate a pure cost of supply proposition. Close monitoring of performance and structure of Business Units. 	 <p>No change</p> <p>Strong pipeline and well positioned for strong growth as markets recover</p>
<p>2</p> <p>Poor return on investment from R&D</p>	<ul style="list-style-type: none"> Income shortfall. Market capitalisation impacted. Loss of reputation as an innovator. Loss of competitive advantage. Loss of key partners. Loss of market share. Misidentification of new, competitive technology. Commercial value of products not maximised. Risk of impairment of assets. 	<ul style="list-style-type: none"> Pipeline of new products/technologies identified to provide growth and differentiation Unique products protected by know-how and/or IP and IP enforcement. Improved front-end business planning process including robust business cases and marketing plans. Effective alignment of strategy to consider the market changes and promote quality and cost savings. Marketing strategy to support partners and products. Implementation of processes to ensure R&D projects progress to plan. Strong links with partners, including Universities, to reduce the risk of missed opportunities. Investment in clinical research, personnel, symposia, and Key Opinion Leaders to foster new approaches. R&D being restructured and strengthened with the appointment of a Director of Innovation in 2021. Utilise licensing and outsourcing options. 	 <p>No change</p>
<p>3</p> <p>Making the wrong or no acquisition/poor integration</p>	<ul style="list-style-type: none"> Impact on Group performance and market capitalisation. Reputational loss. 	<ul style="list-style-type: none"> Strategy set, M&A objectives defined and advisors appointed. Detailed market intelligence and identification of targets. Extensive due diligence process established. Integration plan in place with key milestones. 	 <p>No change</p>

Financial Risks

Risk	Potential Impact	Key Controls and Mitigating Factors	Status
<p>4</p> <p>Forex exposure</p>	<ul style="list-style-type: none"> Loss of income. Shortfall in profit. Market expectations missed. 	<ul style="list-style-type: none"> 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 12-18 months. 	 <p>Strengthening Sterling creates forex headwinds</p>

Key:  Increased risk  Decreased risk  No change

Operational Risks

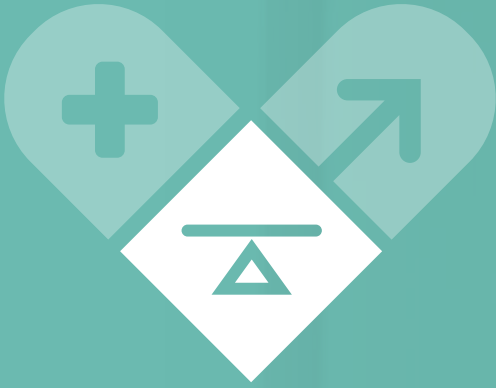
Risk	Potential Impact	Key Controls and Mitigating Factors	Status
5 Continuation of COVID-19 pandemic	<ul style="list-style-type: none"> Continued disruption of business. Reduced demand for elective surgeries. Inability to supply product. Loss of income and shortfall in profit. 	<ul style="list-style-type: none"> Business continuity plans and chain of command already in place. Regular dialogue with stakeholders to plan a real world view of future Pandemic scenarios. Flexible working policies and technology infrastructure in place which facilitates off-site working. Established safe working practices at all AMS sites. A strong cash position and resilient balance sheet. 	 Variants could reduce effectiveness of vaccines. Rollout of vaccine delayed in key territories
6 Regulatory risk	<ul style="list-style-type: none"> Inability to supply product. Product launches delayed. Loss of product claims. 	<ul style="list-style-type: none"> Stringent regulatory regime with an experienced team. Clear regulatory strategy to manage MDR. Strong regulatory pathway to gain approvals. Work with partners and distributors to utilise local expertise. Strictly controlled Quality Management System. 	 No change
7 Vulnerability to single source supply	<ul style="list-style-type: none"> Inability to supply specific products. Increased cost of supply and exposure to cost increases. 	<ul style="list-style-type: none"> Dual source key components wherever possible. Strong Vendor Risk Assessment process. Hold inventory to prevent operational issues arising from delays. Business Interruption Insurance in place. 	 Mitigating actions have reduced exposure
8 Cyber-Risk	<ul style="list-style-type: none"> Systems and data compromised. Financial loss. Business interruption. Loss of reputation. 	<ul style="list-style-type: none"> Implementation of audit and testing recommendations. IT administrator access levels tightened. Increased segregation of duties. Majority of servers physically hosted on site. Cyber Security training for all employees. 	 No change
9 Talent management	<ul style="list-style-type: none"> Loss of key staff. Insufficient talent pool for succession planning. 	<ul style="list-style-type: none"> Succession and talent management process at SMT and mid-management levels to identify talent gaps and high potential. Developed a grade system to improve career paths. Integrated total reward, performance and culture strategy to drive attraction, retention and employee engagement. Introduced changes to long-term working arrangements. 	 Increased acceptance of remote working presents retention risks

The 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 8 to 49 was approved by the Board of Directors and signed on its behalf by:

Eddie Johnson
 Chief Financial Officer
 12 April 2021



Living by our values: Fair

Acting with integrity and being fair to all stakeholders

As a responsible employer we wish to act with integrity and to be fair in our interactions with all stakeholders. We create a working environment where any topic can be openly discussed and maintain high standards of corporate governance. We ensure that our employees are trained and know how to act if they encounter someone who is acting in a manner not aligned with our fair values. We place great importance on ensuring our people are treated equally and work in an environment which promotes equality and diversity. We are ever more focused on sustainability and the environment, adapting our working processes to act as a good corporate citizen.



Governance

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- 66** Remuneration Report
- 77** Directors' Report

Board of Directors

**Independent:**

On appointment.

**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), three years as Chairman of Proximagen Neurosciences plc (2009–12) and five years as Chairman at Diurnal plc (2015–2020). He is a qualified Chartered Accountant.

Term of office:

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

External appointments:

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

**Independent:**

Not applicable.

**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. Chris has previously held senior positions at Smiths Industries, Cardinal Health, Banner Pharmacaps, and Aster Cephac. He was appointed Managing Director of Advanced Woundcare in February 2008, became Chief Operating Officer in January 2010 and was appointed as Chief Executive Officer in January 2011.

Term of office:

Chris Meredith was appointed to the Board in April 2006.

External appointments:

Chris 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.

**Independent:**

Not applicable.

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 industry sectors including, more recently, Head of Commercial Finance at Norcross plc and Western European Financial Controller for Sumitomo Electrical Wiring Systems.

Term of office:

Eddie Johnson was appointed as Chief Financial Officer in January 2019.

Key: Denotes Chairman: Audit Committee: ARemuneration Committee: RNomination Committee: N**Independent:**

Yes.

 A R N**Biography:**

With 25 years' experience in investment banking, Penny 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 joined the Board of AMS in March 2010 as Senior Independent Non-Executive Director.

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.

**Independent:**

Yes.

 A R N**Biography:**

Steve Bellamy was formerly an Executive Director of Sherwood International plc and Brierley Investments' London operations. He has also held Chairmanships, Non-Executive Directorships and advisory roles in a wide range of both public and private businesses, many of which were in the technology sector. He is a New Zealand qualified Chartered Accountant.

Term of office:

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

External appointments:

Steve Bellamy is currently a Non-Executive Director at Caffyns plc.

**Independent:**

Yes.

 A R N**Biography:**

Grahame Cook has 18 years' experience in investment banking in global equity capital markets and M&A and corporate advisory. He advised the London Stock Exchange on the creation of TechMark, the specialist segment of the Main Market focusing on innovative technology and healthcare companies and has healthcare experience, most recently as a Non-Executive Director of Morphogenesis Inc and Chairman of Sinclair Pharma plc. He also held Board positions at Horizon Discovery plc, MDY Healthcare plc and Crawford Healthcare Holdings Limited. He is a qualified Chartered Accountant.

Term of office:

Grahame Cook was appointed as Non-Executive Director of AMS in February 2021.

External appointments:

Grahame Cook is a Non-Executive Director of Attraqt plc, Draper Espirit plc, Minoan Group plc, Pirtsemit Limited and Sapience Communications Limited and a member at T and JK Estates LLP, TJK Holdings LLP and KS Halkins LLP.

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 fluoropolymer 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 Bepak, part of Consort Medical plc.

Rose is also a Six Sigma Master Black Belt.



Ross McDonald
Business Unit Director, Surgical

Biography:

Ross joined AMS in January 2006 having graduated with a BSc from University of Glasgow and MSc in Entrepreneurial Studies from Glasgow Caledonian University. Prior to joining AMS, Ross spent five years in the Pharmaceutical industry. Upon joining AMS, from 2006 to 2012, Ross worked across our direct and distributed sales functions, both in the UK Sales organisation, before taking on responsibility for the European Woundcare Business in 2010. In 2012 Ross relocated to the US. In his role as National Sales Manager Americas he contributed to a period of sustained and high growth for LiquiBand®. In October 2016 Ross returned to the UK to take up a new role as Director of Sales for US, UK and Germany and quickly moved into the Global Sales Director role, both for the Surgical Business Unit.

In January 2021, Ross was appointed as Business Unit Director of the Surgical Business Unit.



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 of 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.



Becky Walmsley
Business Unit Director, 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.



Owen Bromley
Company Secretary

Biography:

Owen joined AMS in April 2012 as Assistant Company Secretary and became Deputy Company Secretary in October 2013. Having completed a BA (Hons) in International Business and Masters in Business Administration (MBA), he helped to launch a licensed Corporate Service Provider on the Isle of Man in 2006 and qualified through the Institute of Chartered Secretaries and Administrators (ICSA) in 2007, now the Chartered Governance Institute. He moved to the UK in 2010, working at Eversheds LLC and GB Group plc prior to AMS.

In January 2021, Owen was appointed as Company Secretary.

Corporate Governance Report



“The Group has focused on strong and robust corporate governance to reflect enhanced stakeholder expectations, building on clarity of purpose and a values-based culture.”

Peter Allen

Chairman



Strong progress in enhancing our corporate governance

Dear Shareholder,

On behalf of the Board, I am pleased to present the Corporate Governance Report for the year ended 31 December 2020. This year has seen continued focus on compliance with enhanced corporate governance requirements and consideration of stakeholder expectations. This report includes details about the Board and an explanation of our individual roles and responsibilities. We summarise the activities of the Board and the Committees, outlining how we have discharged our responsibilities to stakeholders this year and enhanced our culture of good governance and integrity, which will support the achievement of our vision and strategy outlined in the Strategic Pillars on pages 18 to 23.

Changes to the Board and Succession Planning

In 2020 we outlined that, in accordance with the 2018 UK Corporate Governance Code ('Code'), the Group intended to refresh the composition of the Non-Executive Directors. This process was initiated with the retirement of Peter Steinmann.

Following an extensive search process Grahame Cook was appointed to the Board in February 2021. His experience of driving significant value creation at a number of healthcare companies will be invaluable in the next stage of AMS's growth. Steve Bellamy will retire from the Board at the 2021 AGM at which point Grahame will become Chair of the Audit Committee. The Board would like to thank Steve for his significant contribution to the success of AMS over the last fourteen years.

We continue the process of recruiting further Non-Executive Directors as part of the plan for Board refreshment and will ensure that as this progresses over the next two years, there are smooth and effective handovers.

Corporate Governance

We choose to comply with the Code and remain committed to maintaining high standards of corporate governance to drive the generation of shareholder value and long-term sustainable growth, safeguarding the interests of stakeholders. We comply with the Code as far as is practicable and appropriate for a public company of the Group's size.

The Code reinforces the need for the Board to understand the views of our key stakeholders which were considered in Board discussions and decision-making. A review of the Group's stakeholders and how we engage with them is set out on pages 30 to 35.

In line with Code Provision 24 and general best practice, I stepped down from the Audit Committee on 6 May 2020 and will attend Audit Committee meetings when invited as the Board considers my extensive accounting experience adds value to the discussion. I also stepped down as Chairman of Diurnal plc in May 2020 in order to meet the corporate governance requirements regarding Board appointments.

Sustainability and Environmental, Social and Governance (ESG)

ESG and sustainability is a focus for a number of stakeholders. Whilst the Board has always been responsive to sustainability matters, we believe there is an opportunity for us during 2021 to define an ESG framework and set targets to enable us to measure and track our progress in the years ahead. We look forward to updating you on our progress in next year's report.

Recognition and Looking Forward

On behalf of the Board, I would like to thank all of our employees for their dedication and hard work during the past year during the COVID-19 pandemic.

Despite the challenges faced this year, we continue to progress our strategy. AMS is well positioned to take advantage of opportunities across our product portfolio as the markets recover. We will continue to invest in both internal and external opportunities in line with the Group's long-term strategy and growth objectives. During the coming year, in addition to further strengthening our corporate governance, the Board will continue to focus on:

- Supporting the Group as it continues to manage the impact of the COVID-19 pandemic; and
- Supporting the management team with design and implementation of the strategy.

Peter Allen

Chairman and Chair of the Nomination Committee
12 April 2021

Chairman's Introduction to Corporate Governance

The Board is committed to the principles of good corporate governance which encompass leadership, effectiveness, accountability, remuneration and shareholder relations. Our shares are quoted on the AIM market and are subject to the AIM Admission Rules of the London Stock Exchange.

Throughout the year

The Board met 13 times during the year, a number of which were arranged to manage the progress of acquisitions. All of the meetings were held in the UK or by video conference due to the COVID-19 pandemic. The Directors attended the following meetings in the year ended 31 December 2020:

Board Member	Board	Audit Committee	Remuneration Committee	Nomination Committee
Peter Allen	13/13	3/3*	3/3	8/8
Steve Bellamy	13/13	3/3	3/3	8/8
Penny Freer	13/13	3/3	3/3	8/8
Chris Meredith	13/13	3/3*	3/3*	8/8
Eddie Johnson	13/13	3/3*	2/3*	7/8*
Peter Steinmann (retired on 10 June 2020)	5/5	1/1	1/1	1/1
Grahame Cook**	N/A	N/A	N/A	N/A

* Invited

** Appointed as a Non-Executive Director on 1 February 2021

As part of the focus on key stakeholders, the Board has spent time discussing workforce engagement. There was increased engagement with employees, with the CEO holding video conferences with each site and regular COVID-19 updates. We refreshed a number of key governance documents and introduced some key policies. Penny Freer was appointed as the designated Non-Executive Director for workforce engagement in 2020. Unfortunately, the onset of COVID-19 and the subsequent lockdown has impacted physical workforce engagement, although management have updated the Board regularly at meetings. We will focus on proactive ways to increase engagement in 2021. Our Employee Engagement score indicates a high level of satisfaction overall in the workforce.

As in previous years, the implementation of strategy has been a significant area of focus in our Board meetings during the year. The Executive Directors have provided regular updates, allowing the Board to be informed of our view on the successes and challenges throughout the Group. Principal risks facing the Group continue to be significantly impacted by COVID-19. Details of our principal risks are set out on pages 46 to 49. The Risk Register and principal risks are regularly assessed by the Board and Audit Committee. Further information regarding the principal matters discussed by the Board during 2020 are set out on page 59.

2021 AGM

In 2021 we will put forward all Directors for re-election in accordance with Code Provision 18, with the exception of Steve Bellamy who will retire from the Board.

Penny Freer, despite her tenure in excess of the nine-year limit outlined in Code Provision 10, is considered to be independent of character and judgement, qualities which are exhibited through her contribution to Board meetings and Chairmanship of the Remuneration Committee. In addition, Penny has extensive experience with the Company and undertakes ongoing training and development to maintain relevant knowledge and expertise. The Board rigorously self-assesses performance, with a focus on independence and commitment and believes that she will continue to add value. With the appointment of Grahame Cook we continue to comply with Code Provision 24, which requires there to be at least two independent Non-Executive Directors.

Peter Allen, Steve Bellamy and Penny Freer own shares in the Company as shown on page 75. These holdings have been highlighted to shareholders and are small. They are not considered to impact Non-Executive Director independence under Code Provision 10.

Role of the Board

The role of the Board is to establish the vision and strategy for the Group, to deliver shareholder value and take responsibility for the long-term, sustainable 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.

Corporate Governance Report continued

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.

Chairman

Peter Allen

- 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

- 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 Grahame Cook

- Constructively challenging and contributing to the development of 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 is free from any relationship with the Executive Management of the Company and 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 59. 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 2020 included:

Impact of the COVID-19 pandemic	Strategic plans	Sustainability
Dividend policy	Acquisition strategy	Environment, Health and Safety (EHS)
Environmental, Social, Governance (ESG)	Potential merger and acquisition targets	UK Corporate Governance Code
Directors' responsibilities	Risk review	Major capital expenditure
Finance and operations review	Board evaluation	Reports from the Board Committees
Annual budget, results, forecast updates	Impact of Brexit	Organisation and management structure

The Board also delegates a number of its responsibilities to Committees and management as described below. All Directors have access to the advice and services of the Company Secretary. The Board approves the appointment and removal of the Company Secretary and appointed Owen Bromley on 1 January 2021. The Non-Executive Directors are able to contact the Executive Directors, Company Secretary or Senior Managers at any time for further information.

Board Committees

The Board has delegated authority to the Audit, Remuneration and Nomination Committees. Steve Bellamy, Penny Freer and Grahame Cook are members of the Audit, Remuneration and Nomination Committees. Peter Allen is a member of the Remuneration and Nomination Committees. Chris Meredith is a member of the Nomination Committee.

Board Composition

The Board comprises the Non-Executive Chairman, two Executive Directors and three Non-Executive Directors. The Directors' profiles appear on pages 52 and 53 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 to ensure that they can make an effective contribution to the Board. The appointment process is managed by the Nomination Committee and details of how this was managed for appointing Grahame Cook can be found on page 60.

Diversity

We recognise the importance of diversity at Board level. The Board is comprised 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 2020 was 16.6%. The Board is aware of the Hampton-Alexander target of 33%, and will take this into consideration during succession planning.

The SMT also has diverse experience. It is comprised of several nationalities and female representation is 43%, which is felt to be acceptable but will be kept under review. Our Group Equality Policy has been strengthened to cover Equality, Diversity and Inclusion.

Terms of Appointment and Time Commitment

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

Further details of their terms and conditions are summarised in the Remuneration Report on pages 66 to 76 and the full 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 2020 was six until the AGM, five for the remainder of the year and increased back to six in February 2021. The Board tenure is shown below. The Company follows the Code as far as is practicable. The explanations regarding the tenures and independence of the Board members is outlined on page 57.

	Date of appointment	1 yr	2 yrs	3 yrs	4 yrs	5 yrs	6 yrs	7 yrs	8 yrs	9 yrs	10+ yrs	Date of election or next re-election
Peter Allen	4 Dec 2013											8 June 2021
Steve Bellamy	1 Feb 2007											Retiring
Penny Freer	1 Mar 2010											8 June 2021
Chris Meredith	3 May 2005											8 June 2021
Eddie Johnson	1 January 2019											8 June 2021
Grahame Cook	1 February 2021											8 June 2021

Corporate Governance Report continued

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, information on Group strategy, products and performance and access to policies and other key documents. Training and development needs of Directors are reviewed regularly. The Directors are kept apprised of developments in legal, regulatory and financial matters affecting the Group by the 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. 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 respective Chairman annually. The 2020 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 Chairman confirms that the performance of the Non-Executive Directors continues to be effective. An external evaluation was not considered appropriate at this time as Board refreshment is being implemented. This will be considered when the changes are complete and the incumbents have spent a period of time on the Board.

Remuneration Committee

The Remuneration Committee comprises Penny Freer (Chairman), Peter Allen, Steve Bellamy and Grahame Cook 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)
Grahame Cook	Member (since 1 February 2021)

The Committee has Terms of Reference that are reviewed at least annually and were updated at the end of 2020. The Company Secretary acts as Secretary to the Committee.

The Remuneration Committee met three times in 2020. 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 approves all new incentive schemes and grants of options under the Group's Share Option Plan and shares under the Group's Long-Term Incentive Plan (LTIP). The report of the Committee is included on pages 66 to 76.

Nomination Committee

The Nomination Committee comprises Peter Allen (Chairman), Penny Freer, Steve Bellamy, Chris Meredith and Grahame Cook 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)
Grahame Cook	Member (since 1 February 2021)

The Committee meets when necessary and met eight times during 2020, a number of the meetings relating to the appointment of a Non-Executive Director. The Committee has Terms of Reference that are reviewed at least annually and were updated at the end of 2020. The Company Secretary acts as Secretary to the Committee. The Committee's role is to:

- Ensure 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 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.

In 2020 the Nomination Committee oversaw a rigorous recruitment process for a new Non-Executive Director. This culminated in the appointment of Grahame Cook in February 2021 following an extensive search which the Chairman led with the executive search consultancy Dzaleta Consulting who specialise in Board recruitment for life science companies. We developed a shortlist of candidates before interviews were conducted with all members of the Board. Board members were unanimous in his appointment.

Audit Committee

The Audit Committee comprises Steve Bellamy (Chairman), Penny Freer and Grahame Cook. Peter Allen stepped down from the Audit Committee on 6 May 2020.

Name	
Steve Bellamy	Chairman (since 6 June 2007, member since 20 February 2007)
Penny Freer	Member (since 1 March 2010)
Grahame Cook	Member (since 1 February 2021)

Steve Bellamy chairs the Committee. Grahame Cook will take over Chairmanship following the 2021 AGM. Both Steve and Grahame have recent and relevant financial experience and are qualified Chartered Accountants. The Committee has Terms of Reference that are reviewed at least annually and were updated at the end of 2020. The Company Secretary acts as Secretary to the Committee.

We will continue to progress our programme of Board refreshment in 2021 to ensure that the Board is in the best possible position to drive long-term sustainable growth for the benefit of our stakeholders

The Committee met three times during the year. The Chairman, Chief Executive Officer, Chief Financial Officer, Head of Financial Reporting, 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 63 to 65.

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 the 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. In light of the COVID-19 pandemic, sensitivity analysis has been prepared to stress test forecasts. The Directors are confident the business can withstand the challenges and is a going concern, due to the significant headroom available.

All AMS sites are currently in operation and meeting the Group's commitments to maintain supply of its medical devices to healthcare partners and customers worldwide.

With regard to the Group's financial position, it had net cash at the year-end of £53.8million (2019: £64.8 million) following the acquisition of Raleigh Adhesive Coatings Limited in November 2020 for £22 million and increased investment in R&D of £7.9 million (2019: £6.5 million) to progress all key projects. The Group has an undrawn, unsecured £80 million credit facility provided jointly by NatWest and HSBC which is in place until December 2023.

While the current economic environment is very uncertain, in particular in relation to COVID-19, the Group operates in markets whose demographics are favourable, underpinned by an increased need for surgical procedures and chronic wound treatment. Consequently, market growth is predicted for the medium-term once the impact of COVID-19 subsides. Further details of the impact of COVID-19 can be found on the inside cover and on page 14.

The Group has a high number of contracts with customers across different geographic regions who also have substantial financial resources, ranging from government agencies through to global healthcare companies. The Group developed appropriate risk management solutions to mitigate the risk posed by the end of the Brexit transition period at the end of December 2020.

Having considered the above, the Directors have concluded 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 66 to 76.

Modern Slavery Act

Prior to the introduction of the legislation, the Company implemented an Ethical Sourcing Policy and the requirements of the Modern Slavery Act 2015 build on that policy.

During 2020, the Company took the following key steps to implement the requirements of the Modern Slavery Act 2015:

- Group-wide communication of the Anti-Slavery and 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'.

Corporate Governance Report continued

Gender Pay Gap Reporting – Ensuring Opportunities for All

AMS believes in being an inclusive and diverse employer, where individuals are provided opportunities to develop and reach their full potential. We are confident that employees are paid equally for doing equivalent jobs across the business.

Our latest report under the Gender Pay Gap Regulations is available on the Company's website 'www.admedsol.com'.

Relations with Shareholders

The Strategic Report, which incorporates the Chairman's Statement, Chief Executive's Q&A, Financial Review, Section 172 Statement, Stakeholder Engagement, Risk Management and Sustainability/ESG sections, together with other 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 shareholder communication and the Company maintains a regular dialogue with its shareholders, which is described in the Stakeholder Engagement section on pages 30 to 35.

The Notice for the Annual General Meeting is sent to shareholders at least 20 working days before the meeting. Details of how the 2021 AGM will be adapted in line with the latest guidance on COVID-19 are outlined below.

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

The 2021 AGM will be held in accordance with government guidance on COVID-19.

The AGM will be convened at 11.00am on the 8 June 2021. The health and safety of shareholders, as well as employees and customers, is of paramount importance. Details of the AGM will be outlined in the AGM Notice, on the Company's website (www.admedsol.com) and through RNS announcements to the market.

The results of the AGM will be announced to the London Stock Exchange and placed on the Company's website, in the usual way, as soon as practicable after the conclusion of the AGM.

The Board would like to thank all shareholders for their continued support and understanding in these exceptional circumstances.

Audit Committee Report



“The Committee plays a key role in safeguarding shareholder value and supporting our long-term strategy by providing oversight of internal controls, risk management and financial reporting.”

Steve Bellamy

Chair of the Audit Committee



As the Group implements its strategy and manages the impact of COVID-19, the Committee oversees the governance of audit and risk management

Dear Shareholder,

As Chair of the Audit Committee, I am pleased to present the Committee's report for the year ended 31 December 2020. This report outlines the Committee's work to fulfil our responsibilities to provide effective governance over the Group's financial reporting, internal controls and risk management, ensuring that shareholders and other stakeholders interests are protected. In meeting these responsibilities, the Committee continues to consider the provisions of the 2018 UK Corporate Governance Code and FRC Guidance on Audit Committees.

As the Group continues to manage the challenges of COVID-19, integrating new acquisitions and organic growth over the medium to long-term, the Committee's strong governance of audit and risk management is critical.

The Committee was chaired by myself with Penny Freer as the other member in place throughout the year. In line with Code Provision 24 and corporate governance best practice Peter Allen, as Chairman of the Group, stepped down from his position as a member of the Audit Committee in May 2020. When invited, he attends Audit Committee meetings as the Committee considers his extensive financial experience adds value to the discussion.

Peter Steinmann left the Committee following his retirement at the 2020 AGM. Grahame Cook was appointed as a Non-Executive Director on 1 February 2021 and to the Committee with immediate effect. He will become Chairman of the Audit Committee following the 2021 AGM.

The Committee met three times in 2020. Board members, representatives from the External Auditors, Deloitte, and the Group's Internal Auditors, RSM, are invited to attend certain meetings as considered appropriate.

The Committee remains focused on ensuring that the Group's financial and risk management capability is appropriate in an increasingly complex business and an increasingly regulated environment.

I am confident that the Committee performs all the appropriate activities for a Group of AMS' size, complexity and nature and that the members have the necessary skills, knowledge and experience which, together with input from the Chairman and External and Internal Auditors, means we have, a well-balanced, fit for purpose Committee to continue to meet the challenges ahead.

Steve Bellamy

Chair of the Audit Committee

12 April 2021

Attendance record and tenure in 2020

Member	Number of meetings held during the year when the Director was a member	Number of meetings attended	Committee tenure
Steve Bellamy (Chair)	3	3	14 years
Penny Freer	3	3	10 years
Peter Steinmann (retired in June 2020 at the AGM)	1	1	6 years

Audit Committee Report continued

Aims and Objectives

The 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, 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 risk exposures of the Company and related risk management strategies.
- Oversee Internal Audit and 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 and preventing fraud, prevention of bribery and corruption and ensure arrangements are in place to enable employees to raise matters of possible impropriety in confidence.
- 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, and consider a tender process.
- Review audit and non-audit services and fees.
- Review the Terms of Reference annually to ensure all key areas are being considered and that the Committee's remit and activities are in line with best practice. These were last updated in December 2020.

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 2020.
- Reviewed the annual and half-yearly financial reports and related statements.
- Assessed key accounting judgements, cost of capital and COVID-19 and Brexit impacts.
- Discussed an action plan to bring the release date of the Annual Report closer to that of the Preliminary Statement.
- Reviewed all significant matters in relation to the Financial Statements and how these have been addressed including:
 - Going Concern – Code Provision 31 requires the Directors to explain in the Annual Report how they assessed the prospects of the Company, over what period and why that period is appropriate.
 - Assesses risk management, risk appetite, internal controls, the risk and control reporting structure and the ongoing process to review the principal risks of the Group. As part of these reviews, consideration has been given to the impact of COVID-19.

- Valuation of assets acquired on the acquisition of Raleigh in the year.
- Carrying value of assets acquired on acquisitions, including the inherent sources of estimation uncertainty due to the inclusion of future cash flows.

External Audit

- Monitored the independence and ensured the objectivity of the External Auditor, approved the Audit Plan for the 2020 audit, reviewed the performance of the External Auditor, considered the re-appointment of Deloitte LLP as auditor for 2021 and recommended their re-appointment to the Board.

Internal Audit

- Considered and agreed the strategic and annual Internal Audit plan, followed up on management responses to Internal Audit findings and recommendations, reviewed the effectiveness of RSM and considered their re-appointment and engaged RSM to conduct a 'Healthcheck' of AMS's control environment and assurance framework.

Risk Management

- Reviewed and considered key risks to the Group, the plans and controls to mitigate these risks and scoring criteria.

Effectiveness of External Auditor

An annual performance review of the External Auditor is undertaken to assess:

- Effectiveness of the audit process.
- Resource quality – ensuring the right quality and balance of audit team resource and that the team provides continuity, knowledge and a fresh perspective through new team members.
- Effective communication – ensuring key audit judgements are communicated at the earliest opportunity to promote discussion and challenge between the External Auditors, management and the Committee. Communication regarding good practice, changes to reporting requirements and accounting standards enables the Group to be fully and properly prepared. Timely provision of audit papers enables adequate management review, Committee consideration and feedback.
- Scoping and planning – timely provision of the External Audit plan and timetable.
- Fees – ensuring they are transparent, appropriate and communicated prior to the commencement of any work being undertaken. Variations are challenged at the earliest opportunity to enable dialogue and agreement.
- Auditor independence – the Committee monitors the External Auditor's compliance with ethical guidelines and considers their independence and objectivity. The Committee received and reviewed written confirmation from the External Auditor that there were no relationships that, in their judgement, may impact their independence. The External Auditor has confirmed that they consider themselves independent within the meaning of UK regulatory and professional requirements.

Non-Audit Services

The External Auditor may provide non-audit services where it is in the Group's best interests, provided certain criteria are met. The External Auditor must not audit their own work, make management decisions for the Group, create a conflict of interest or find themselves in the role of an advocate for the Group. There was one project in 2020 where expenditure exceeded the £10,000 threshold for approval by the Committee, which was the £22,000 fee for audit related assurance services relating to the review of the Interim Statements. The Company policy on non-audit services complies with the FRC's 2019 Revised Ethical Standard.

Deloitte LLP has been the External Auditor for 13 financial years. A performance, effectiveness and independence evaluation lead the Committee to recommend the re-appointment of Deloitte LLP as the Group's External Auditor for the next financial year.

Internal Audit

Internal Audit is delivered by RSM against an agreed plan under the guidance of the Committee. It reviews areas of potential risk and substantial process improvement and provides assurance that key controls are operating effectively and consistently. RSM's findings and recommendations are reported directly to the Committee. The Committee:

- Ensures the function has the necessary resources and access to information, employees, the Board and the Committee Chairman to enable it to fulfil its mandate.
- Approves the Internal Auditor appointment and termination.
- Reviews and assesses the Internal Audit work plan and receives a report at least twice per year.
- Reviews and monitors management's responsiveness to the Internal Auditor's findings and recommendations.
- Monitors and reviews the effectiveness of controls in relation to the overall risk management system.

All reports are discussed with the Committee and the External Auditor. Recommendations are considered and acted upon. RSM attends Committee meetings twice a year and provides an update in writing ahead of each meeting.

In 2020 the Internal Auditor reviewed previous audit reports and undertook an internal control 'Healthcheck' of AMS's control environment and assurance needs. A separate audit was carried out on Risk Management Assurance. The recommendations of Internal Audit were accepted by the Audit Committee and acted upon. A two-year Internal Audit plan was discussed in detail and agreed in December 2020.

The Internal Controls Framework and Risk Management Strategy are available on the Company's Intranet. Policies are updated and formally approved by the Committee at least once a year.

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, TÜV Sud, DEKRA Certification GmbH and PCBC.

Risk Management and Internal Controls

The Board, taking guidance from the Committee, monitors and reviews all material controls including financial, operational and compliance controls. Only reasonable and not absolute assurances can be made against material loss or misstatement. Key features of the internal control systems are:

- The Group has an organisational structure with clear responsibility and accountability. The Board is available to hear any individual's concerns about improprieties.
- The Board has a schedule of matters reserved for its consideration which includes potential acquisitions, capital projects, treasury policies, risk management, approval of budgets and re-forecasts, Health and Safety, Corporate Governance and Environmental, Social and Governance (ESG).
- The Board monitors the activities of the Group through monthly management accounts, full-year forecasts, and reports on current activities and plans. The Senior Management Team also regularly monitors financial and operational performance.
- The Group has set appropriate levels of authorisation which must be adhered to.
- An Enterprise Resource Planning (ERP) system, with in-built controls over process and authority, minimising manual intervention, is in place in the UK, Netherlands and Germany, with equivalent systems in other jurisdictions.
- The Group operates a 'whistleblowing' policy enabling individuals to report any concerns confidentially.

Any weaknesses identified in the Group's internal control system are reported to the Committee and corrective actions agreed. Creating long-term shareholder value is the reward for taking controlled risk. Risk management is crucial to the Group's success and is given a high priority to ensure that adequate systems are in place to evaluate and limit risk exposure.

The Committee, Board and Management each formally review the Risk Register at least twice a year. Risks are evaluated for both likelihood and financial impact, helping to identify the most significant risks the business faces. Actions are agreed to mitigate the risks and progress is regularly assessed. The process for identifying, evaluating and managing the risks faced by the Group is ongoing throughout the year. 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 Committee.

Remuneration Report



"In 2020 the Committee focused on rewarding sustainable performance and compliance with best practice, which helps to drive value creation for shareholders and supports our growth strategy."

Penny Freer

Chairman of the Remuneration Committee



As a matter of good corporate governance we seek shareholder approval for our Remuneration Report, which allows our shareholders to express their views on the implementation of the Remuneration Policy

Dear Shareholder,

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 31 December 2020. The Remuneration Committee was made up of myself as Chairman, Peter Allen and Steve Bellamy. Peter Steinmann left the Committee on 10 June 2020 following his retirement from the Board at the AGM. Grahame Cook was appointed as a Non-Executive Director on 1 February 2021 and joined the Committee with immediate effect. The Committee formally met three times in 2020.

We remain committed to high standards of corporate governance. The report is put to an advisory vote each year at the AGM. During the year we engaged with the Group's largest institutional investors and proxy voting agencies on various governance matters. Engagement with our shareholders and other stakeholders has been invaluable and the Committee has taken into consideration the feedback received. The Committee also uses an independent remuneration consultant to advise on best practice and to ensure appropriate disclosures in this Remuneration Report.

In order to deliver the Group's strategy, as outlined by our Strategic Pillars, the Committee believes AMS must continue to attract, motivate and retain high calibre talent. The Committee therefore must ensure that our remuneration policy is appropriate for a successful, growing business with over 700 employees in seven countries. It is important to ensure our Remuneration Policy is appropriate for a business the size and profile of AMS.

Despite the challenges presented by the pandemic, AMS met the demands of its healthcare partners and delivered a strong set of financial results in difficult trading conditions. The impact of COVID-19 was successfully managed in line with the guidance we provided to the market.

A resolution will be put to shareholders at the AGM on 8 June 2021 asking shareholders to consider and approve this Report.

Penny Freer

Chairman of the Remuneration Committee
12 April 2021

Attendance record and tenure in 2020

Member	Number of meetings held during the year when the Director was a member	Number of meetings attended	Committee tenure
Penny Freer (Chairman)	3	3	11 years
Steve Bellamy	3	3	14 years
Peter Allen	3	3	7 years
Peter Steinmann (retired 20 June 2020)	1	1	6 years

Remuneration for 2020

The annual bonus awards and Long-Term Incentive Plan ('LTIP') vesting in 2020 for the Executive Directors were as follows:

Annual bonus

The performance conditions for the annual bonus for the last financial year were based on the achievement of financial targets (Revenue, Adjusted PBT and EPS – accounting for 85% of the total bonus) and personal objectives (accounting for 15%). In view of performance, the Committee determined:

- Adjusted PBT of £13.4 million was below threshold target (£30.3 million), resulting in a Nil award for the financial element.
- Personal objectives are linked to corporate, financial, strategic and non-financial objectives (see page 72). The Committee determined that these objectives were met in full. However there is no bonus for 2020 as financial targets were not met.
- The Committee made the decision that despite a strong performance in a challenging market disrupted significantly by COVID-19 and, in line with best practice in the market, a bonus would not be paid to Executive Directors or Senior Management irrespective of the financial performance or achievement of personal objectives.

LTIP

Chris Meredith and Eddie Johnson were granted LTIP awards in April 2017 with performance criteria and weightings as follows:

- TSR (50%) – the performance period ended on 5 April 2020. The Company ranked between the median and upper quartile (18th out of 68 comparators) which resulted in a vesting of 98.9% (49.45% out of 50% vesting).
- EPS (50%) – the growth in EPS was calculated over the three financial years to 30 December 2019. The average annual growth was 9.45%, above the threshold level of 5% which resulted in a vesting of 47.2% (23.6% out of 50%).
- Overall across both elements the final vesting result was 73.1%.

The Committee believes these outcomes are a fair reflection of Group performance over the vesting period.

Implementation of policy in 2021

The Committee decided to increase Executive Director salaries in 2021 in line with the workforce with all employees receiving a cost of living increase of 1%. This led to the salaries of Chris Meredith and Eddie Johnson increasing to £307,545 and £174,275 respectively. The Committee regularly reviews remuneration policy. Having reflected on individual performance during 2020 and the impact of COVID-19 it believes there should be the ability to award a bonus in respect of exceptional performance relating to personal objectives even if the financial objectives have not been met. Therefore prospectively the annual bonus and LTIP schemes for 2021 will apply as follows:

- Annual bonus opportunity shall be 150% for Chris Meredith and 75% for Eddie Johnson. 85% of the total bonus will be based on stretch revenue, adjusted PBT and EPS targets. The balance of 15% will be based on personal objectives where exceptional achievement may result in the award of a bonus even if financial objectives have not been achieved.
- The Committee intends to grant Chris Meredith and Eddie Johnson LTIP awards in April 2021.

Compliance with the 2018 UK Corporate Governance Code ('Code')

As a large AIM quoted company, AMS has chosen to follow the Code and is compliant in the majority of areas including malus provisions in the LTIP and share ownership guidelines (Executive Shareholding Policy).

The Company does not comply with Provisions 36 (share awards granted for Executive Directors are not subject to a total vesting and holding period of five years or more) and 37 (remuneration schemes do not include provisions that would enable the Company to recover and/or withhold sums or share awards). A formal policy for post-employment shareholding will be considered in 2021. Full details of the share schemes offered to the Executive Directors can be found on pages 70 and 71, Provision 38 outlines that pension contribution rates for Executive Directors, or payments in lieu, should be aligned with those available to the workforce. The Committee does not consider the current contributions of 10% to be excessive and this issue will be addressed for any new appointments. Full details of compliance with the Code is on the Company's website (www.admedsol.com). When determining the Executive Director remuneration policy ('Policy') the Committee is aware of the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture:

Clarity

- Our Policy is well understood with a clear aim; support the delivery of strategy and promote long-term sustainable growth.
- To achieve this the Policy aims to be strategically aligned, promotes pay for performance, is competitive in the market and provides a commitment to employees to pay fairly and in a clear, transparent and simple way.
- Each component of remuneration is clearly explained in the Policy table, including its purpose, how it is operated, the maximum potential and any relevant performance measures, which are disclosed for shareholders' consideration.

Remuneration Report continued

Simplicity

- The Policy reflects standard UK market practice with an annual performance bonus and LTIPs.
- All payments are in the form of cash or AMS shares and no artificial structures are used to deliver remuneration.

Risk

- The Committee can use its discretion to override the formulaic outcomes of the incentive plans if it is felt appropriate.
- Malus provisions operate in the LTIP and Deferred Annual Bonus plan (DAB) allowing payments to be adjusted or withheld.
- There is an appropriate mix of financial, non-financial and share price measures to avoid undue risk taking.

Predictability

- Appropriate limits are set out in the Policy and within the respective share scheme rules so outcomes can be predicted.
- In operating the Policy, the Committee continually monitors the performance of share scheme awards so that it is aware of potential outcomes and forewarned of potential issues.

Proportionality

- The outcomes of our share schemes are aligned to delivery of strategy and are measured against various metrics.

Alignment of culture

A focus of the Policy is long-term sustainable growth which is reflected in our Care, Fair, Dare values. We voluntarily seek advisory shareholder approval for our Remuneration Report and feedback helps inform the Committee's approach. Specific comments on the Policy can be sent to the Company Secretary (companysecretary@admedsol.com).

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 Committee comprises three Non-Executive Directors and the Chairman of the Board. Biographical information on the members is set out on pages 52 and 53. They have no personal financial interest in decisions other than as shareholders, no conflict of interest from cross-Directorships and no day-to-day involvement in running the business. They do not participate in bonus, share option or pension arrangements.

The Committee, on behalf of the Board and in consultation with the Chief Executive Officer, determines the policy on executive remuneration, employment conditions and individual remuneration packages of the Executive Directors 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 targets for such schemes and approves payment under such schemes. The Board has accepted the Committee's recommendations in full. The Terms of Reference of the Committee are available on the Company's website, 'www.admedsol.com'. The activities the Remuneration Committee undertook in 2020 were:

Month	Principal Activities
March	<ul style="list-style-type: none"> • Review of 2019 personal objectives and implications for bonus and Deferred Annual Bonus awards. • Discussion on 2020 personal objectives for the Executive Directors and review of 2020 corporate objectives. • Review of 2020 LTIP and share option awards for 2020 (Executive Directors, SMT and key employees). • Review of LTIP performance criteria (TSR/EPS), how these are calculated and consideration of holding periods. • Review of Gender Pay Report and decision to defer filing. • Decision to run the Deferred Share Bonus Scheme twice in 2020 (April and October) due to COVID-19.
October	<ul style="list-style-type: none"> • Review of 2020 personal objectives for Executive Directors. • Ratification of LTIP and share option awards for 2020 (Executive Directors, SMT and key employees). • Ratification of Annual Performance Bonus and Deferred Annual Bonus awards for Executive Directors and SMT. • Review of compliance with Executive Shareholding Policy and ratification of 2017 LTIP vesting. • Review and approval of Executive Shareholding Policy and Good Leaver delegation rules.
December	<ul style="list-style-type: none"> • 2021 salaries for the Executive Directors and SMT and 2021 personal objectives for the Executive Directors. • Consideration of the bonus structure for 2021, SMT LTIP awards for 2021 and the rules regarding these awards. • Review of results of Committee Self Assessment questionnaire. • Reviewed Terms of Reference, Directors' Expenses Policy and 2021 Remuneration Committee Meeting dates.

Remuneration Policy

The objective of the Policy is to attract, retain and motivate management of the calibre required to develop and implement the strategy and enhance earnings over the long-term without paying more than is necessary, having regard to views of shareholders and other stakeholders. The choice of financial, non-financial and strategic measures is important, as is the exercise of independent judgement and discretion when determining remuneration awards, taking account of Group and individual performance and wider circumstances. The Policy aims to conform to best practice as far as reasonably practicable and the Committee retains the right to exercise discretion. There are four key aspects to the Policy:

- **Strategically aligned** – Aligned with our strategy and culture. Share ownership drives the right long-term behaviour. Executive Directors are required to build a significant shareholding aligning their interests with the stakeholders' interests. Design of long-term incentives will be prudent and will not expose shareholders to unreasonable financial risk.
- **Pay for performance** – Senior Management remuneration promotes long-term success and reward value creation for our stakeholders. Assessment of short-term incentives under the Annual Performance Bonus is made against corporate, financial, strategic and other non-financial objectives. A proportion of the bonus is deferred for Executive Directors and Senior Management for three-years. Long-term incentives are linked to long-term financial and strategic objectives.
- **Market competitive** – All elements of our remuneration are reviewed regularly to ensure they remain market competitive to attract and retain talent, as well as to avoid excessive overpayment.
- **Employee commitment** – We are committed to paying our people fairly and in a clear, transparent and simple way.

The Policy supports strategy and promotes long-term sustainable success. Executive remuneration is aligned to purpose and the Care, Fair, Dare values are linked to the delivery of the long-term strategy. The Policy enables the use of discretion to override formulaic outcomes and to withhold sums or share awards under appropriate specified circumstances. In considering reward elements, account will be taken of both Group performance and the performance of each individual Executive Director. Discretion can also be used when making grant awards.

The Committee appointed Ellason LLP in 2021 to provide advice on the remuneration of Executives and SMT, having previously used Mercer (see details of work carried out by Mercer in 2020 below). Executive Director remuneration consists of basic salary, bonus, LTIPs, health and insurance benefits, and pension contributions. A balance between fixed and performance-related remuneration elements is maintained.

Enhanced Shareholding Guidelines

Executive Directors and senior management are expected to accumulate and maintain a significant shareholding. The holding requirements for the Executive Shareholding Policy are 200% and 100% of salary respectively for the Executive Directors and SMT in order to align their interests with our stakeholders and encourage share ownership. All Executive Directors and SMT members met or exceeded the shareholding target in 2020, except the three members who have been with the Company for less than five years. If a SMT member does not comply at the end of the five-year period the Committee retains discretion to decide on any sanction, which may include a simple 'warning' or reduction in the next LTIP grant or a reduction of bonus opportunity.

Mercer was engaged in April 2020 to review LTIP performance criteria, vesting and best practice in the market in light of the impact of COVID-19. Mercer was the only advisor who provided material assistance to the Committee during 2020 as below:

Advisors	Appointment and selection	Other services provided	Fees for Committee assistance
Mercer LLC	Appointed to provide ongoing advice to the Committee on various remuneration matters	Advice on LTIP performance criteria, vesting and best practice	£Nil

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 of Executive Directors. The cost of living increase for the 2020 financial year was 1.5% for all Directors, SMT and the broader employee population. No further increase was considered to be required for the Executive Directors. The Committee will review Executive Director and Non-Executive Director salaries against industry benchmarks during 2021.

Statement of Voting at General Meeting

At the 2020 AGM the percentages of votes cast 'for', and 'against' in respect of the Directors' Remuneration Report were:

Resolution	Number of shares voted	Votes cast 'for'	Votes cast 'against'
To approve the Directors' Remuneration Report	112,770,820	98.31%	1.69%

Remuneration Report continued

Overview of Directors' and Senior Management Remuneration Policy

Element of remuneration	Purpose and how it supports strategy	How the element operated and maximum opportunity	Framework used to assess performance
Base Salary	<p>To provide competitive fixed remuneration.</p> <p>To attract, retain and motivate Executive Directors and Senior Management of the right calibre to deliver the Company's strategy and to provide a core level of reward for the role.</p>	<p>In line with the Policy salary levels are set taking into account experience, responsibilities and performance, both from an individual and business perspective and from utilising external market data (benchmarking).</p> <p>Salaries are reviewed annually with changes effective from 1 January. Current salaries of the Executive Directors are set out on page 67. A review was last carried out in December 2020.</p>	<p>Where there is a change in responsibility, progression in the role, change in size or structure of the Group or increased experience of the Executive Director or member of Senior Management, the Committee retains the discretion to award a higher increase than the standard increase for the UK workforce.</p>
Benefits	<p>To provide a competitive level of benefit provision.</p>	<p>Executive Directors and their families receive private medical insurance. No maximum cost.</p>	N/A.
Annual Performance Bonus	<p>To drive and reward performance against annual financial and operational goals which are consistent with the medium to long-term strategic needs of the business.</p>	<p>Executive Directors are entitled to receive an Annual Performance 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.</p> <p>In 2020 as the Financial thresholds were not met there was no bonus payable. The underpin has been removed from 2021 to allow the Committee a greater level of discretion when determining the payment of a bonus in respect of personal objectives.</p> <p>The maximum percentages of salary achievable are set out on page 67.</p>	<p>For Executive Directors, both financial and non-financial measures are used. Financial targets are set against Group revenue, PBT and EPS (85%), personal objectives are set and an assessment is made based on Care, Fair, Dare (15%).</p> <p>Senior Management receive up to 50% of salary in bonus based on financial performance targets (77%) and personal objectives and performance against Care, Fair, Dare (23%).</p> <p>Business need may alter future bonus measures or weightings.</p>
Deferred Annual Bonus (DAB)	<p>Provides mechanism to exercise malus provisions.</p>	<p>The DAB requires Executive Directors and SMT to defer up to 25% of their Annual Performance Bonus for three years.</p> <p>The DAB includes malus provisions which are laid out on page 71. There is no provision for clawback.</p>	N/A.
Deferred Share Bonus Plan (DSB)	<p>To align the interests of all employees with shareholders, to incentivise long-term value creation and to act as a retention tool.</p>	<p>The DSB is available to all employees and allows investment of bonus and/or salary into shares. It also allows for the provision of matching (free) shares if the shares are held for a set period.</p>	N/A.

Element of remuneration	Purpose and how it supports strategy	How the element operated and maximum opportunity	Framework used to assess performance
<p>Long-Term Incentive Plan (LTIP)</p>	<p>To align the interests of the Executive Directors and SMT with shareholders and to incentivise long-term value creation.</p>	<p>The LTIP permits an annual grant that vests subject to performance and employment.</p> <p>Under LTIP rules, the maximum annual award is 200% of salary. Details of the award levels for 2020 are set out below. Awards under the LTIP may be granted in the form of nil-cost options or cash (where they cannot be settled in shares). Awards have a £1 consideration.</p> <p>50% of the Award is based on the Total Shareholder Return (TSR) performance 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 Group over a three-year period. The calculation analyses the 90 dealing day period to the date of grant measured against the 90 dealing day period prior to the three-year anniversary following the date of grant.</p> <p>The 2014 LTIP scheme introduced malus provisions which are laid out below. There is no provision for clawback.</p>	<p>No shares shall vest from the proportion of the Award determined by reference to the AIM Healthcare Share Index if the Company is ranked below median. Awards vest on a sliding scale from 25% to 100% for performance from median to upper quartile.</p> <p>Performance against EPS will be based on the percentage increase in the Group's EPS over a three-year period commencing on 1 January of the year in which the Award is made. Awards vest on a sliding scale from 25% to 100% for an average annual EPS growth rate over the vesting period of a minimum of 5% rising to 20%. No awards will be made for an average annual growth rate below the minimum.</p> <p>The Committee has flexibility to make adjustments to performance conditions to ensure the Award achieves its purpose. Vesting is subject to the Committee being satisfied that the Group's performance on these measures is consistent with the performance of the business.</p>
<p>Pension</p>	<p>To provide a market competitive remuneration package to enable the recruitment and retention of Executive Directors and Senior Management.</p>	<p>Executive Directors contribute up to 10% of salary into a defined contribution plan with the Group contributing a fixed 10%. All other UK employees contribute a minimum of 3% which is matched by a Company contribution of 6%. An employee may substitute pension contributions for salary if they are impacted by limitations on the size of individual personal pension funds.</p> <p>It is intended that any new Executive Directors will have a pension in line with the workforce.</p>	<p>N/A.</p>

Malus provisions – 2014 LTIP/DAB

The 2014 LTIP and DAB incorporate malus provisions. 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 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 it is determined that the malus provision applies then the number of shares comprised in an Award that are not vested and/or vested shares in the case of an unexercised Option should be reduced (to Nil if appropriate).

Remuneration Report continued

Directors' Emoluments – Single Figure of Remuneration (2019 and 2020)

	Salary and fees		Annual Performance Bonus		Deferred Bonus		LTIPs vested		Gains on DSBs vested ¹		Benefits		Pensions		Total Remuneration	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Chris Meredith	305	300	–	–	–	–	192	426	9	13	1	1	30	30	537	770
Eddie Johnson	173	170	–	–	–	–	41	92	33	58	1	1	17	17	265	338
Peter Allen	75	74	–	–	–	–	–	–	–	–	–	–	–	–	75	74
Steve Bellamy	45	44	–	–	–	–	–	–	–	–	–	–	–	–	45	44
Penny Freer	45	44	–	–	–	–	–	–	–	–	–	–	–	–	45	44
Peter Steinmann ²	19	38	–	–	–	–	–	–	–	–	–	–	–	–	19	38
Total	662	670	–	–	–	–	233	518	42	71	2	2	47	47	986	1,308

1. Gains on DSBs vested is based on the share price at vesting date. Details of the DSB can be found on page 70.

2. Peter Steinmann retired on 10 June 2020.

The table above summarises the payments made and amounts earned by the Executive and Non-Executive Directors for the 2019 and 2020 financial years. The fees for the Chairmen of the Audit Committee and Remuneration Committees (Steve Bellamy and Penny Freer) include a fee of £3,000 for chairing a Committee. No Annual Performance Bonus was payable for 2019 and 2020 and as a result the Deferred Annual Bonus scheme was not utilised. The Executive Directors were granted LTIPs as detailed on page 73. All Directors have confirmed that they have not received remuneration save as disclosed above.

Salaries and Fees

Details of 2021 salaries for the Executive Directors are outlined on page 67 and prior year in the table above.

Annual Performance Bonus and Deferred Annual Bonus

Details of the Annual Performance Bonus and Deferred Annual Bonus are outlined on page 70.

The personal objectives for the Executive Directors for the year ended 31 December 2020 included progress in developing new products, successful integration of acquisitions and improving working capital ratios. The table below summarises 2020 performance against the targets:

Performance Measures	Weighting	Threshold £m	Target £m	Stretch £m	Achievement £m	2020 result (% of maximum)
Group revenue	28.33%	114.9	118.4	124.3	Below threshold	0.0%
Adjusted Profit Before Tax	28.33%	30.3	31.3	32.8	Below threshold	0.0%
Adjusted fully diluted Earnings Per Share	28.33%	11.0	11.39	11.96	Below threshold	0.0%
Personal objectives/values assessment	15.0%	Committee assessed that the Executive Directors fully achieved their objectives.			Maximum	15.0%
Total	100.0%					0.0%

In 2020 threshold was not achieved in any financial criteria and therefore no bonus is payable for 2020. If the minimum profit threshold had been met then 22.5% of salary would have been payable to Chris Meredith and 11.5% to Eddie Johnson relating to personal objectives, as well as 8.75% and 4.375% of salary respectively relating to the delivery of threshold profit. 2021 objectives are commercially sensitive and not detailed in this Report. 2020 bonus payments in respect of 2019 were as follows:

Director	Bonus paid in 2020 (2019 Financial Year)	Deferred	Percentage of salary (total bonus)	Maximum % of salary
Chris Meredith	£Nil	£Nil	0.0%	150%
Eddie Johnson	£Nil	£Nil	0.0%	75%

Vesting of LTIPs for the year ended 31 December 2020

Details of the LTIP performance conditions for the LTIPs granted on 6 April 2017 which vested on 6 April 2020 are shown on page 67. The value of the vesting shown in the Directors' Emoluments table on page 72 is calculated by multiplying the number of shares from the Award that vested by the share price on the vesting date.

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

On 14 April 2020 the Committee approved LTIP awards as outlined below. Eddie Johnson was awarded 25% above his indicated award level to reflect strong performance and that his remuneration package is towards the lower end of the market.

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 3 years
Chris Meredith	Nil-cost option	200% of salary	2.39	254,812	609,000	See page 71
Eddie Johnson	Nil-cost option	100% of salary	2.39	72,197	172,550	See page 71

Outstanding Share Awards – Maximum under the LTIP

Director	As at 1 January 2020	Exercised in the year	Issued in the year	Lapsed in the year	As at 31 December 2020	Market price at date of grant (p)	First vesting date
Chris Meredith	146,939	–	–	–	146,939	151.50	10 September 2018 (vested)
	129,628	–	–	–	129,628	184.60	18 April 2019 (vested)
	109,571	–	–	29,475	80,096	246.69	6 April 2020 (vested)
	90,344	–	–	–	90,344	308.00	13 April 2021
	182,510	–	–	–	182,510	328.75	24 April 2022
	–	–	254,812	–	254,812	239.00	14 April 2023
Eddie Johnson	34,235	–	–	–	34,235	132.00	2 April 2018 (vested)
	28,126	–	–	–	28,126	184.60	18 April 2019 (vested)
	23,775	–	–	6,396	17,379	246.69	6 April 2020 (vested)
	19,603	–	–	–	19,603	308.00	13 April 2021
	38,783	–	–	–	38,783	328.75	24 April 2022
	–	–	72,197	–	72,197	239.00	14 April 2023

Chris Meredith and Eddie Johnson both exercised Nil LTIPs in 2020 (2019: Nil). Awards have no performance re-testing facility.

Approach to Remuneration of Executive Directors at the time of Recruitment

When appointing an Executive Director the Committee may utilise all existing remuneration components. Salary will reflect experience, skills, market data and current salary. They will be eligible for a personal pension, medical insurance and share schemes. In line with the Code, it is the intention that pension contributions will be at a rate available to the wider workforce.

Non-Executive Directors

Non-Executive Directors are appointed under arrangements that may be terminated by either party on six months' notice. Their fees are determined by the Executive Directors, taking into account the time and responsibility of the role. They receive travel expenses, do not participate in incentive arrangements and have confirmed they have not received any other remuneration in 2020 save as disclosed on page 72. Further details of Non-Executive Director fees are 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.	Reflects time commitments and responsibilities of each role.	There is no maximum annual increase. The Board is guided by the market and broader employee population. On occasion they may need to recognise an increase in the scale or scope of the role. Fees have not been increased in 2021 pending a review which will be carried out during the year.	Non-Executive Directors do not participate in variable pay arrangements and do not receive retirement benefits.

Remuneration Report continued

Service Agreements

Executive Director service contracts are not fixed term, are terminable by either party giving not less than 12-months' written notice and can be viewed at the Company's registered office and at the AGM. The Committee reviews the contractual terms for new Executive Directors to ensure they reflect best practice. Details of the service contracts 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	1 January 2019	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
Grahame Cook	1 February 2021	Rolling Contract	6

Policy on Payment for Loss of Office – Executive Directors

The Committee considers individual cases of early termination and determines compensation on a case-by-case basis. There are no special provisions in the event of loss of office or for payment in lieu of notice (PILON). If such circumstances were to arise, the Executive Director would have no claim against the Company for damages or any other remedy in respect of the termination. The Committee would apply principles of mitigation to any payment made to a departing Executive Director.

Whilst the Committee retains overall discretion for 'Good Leaver' status, it typically defines a 'Good Leaver' for the Annual Performance Bonus and 2014 LTIP as 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.

No payments were made to past Directors or for loss of office during the year ended 31 December 2020.

Event	Timing of vesting/award	Calculation of vesting/payment
Bonus/DAB		
Good Leaver	Annual Performance Bonus payment would be negotiated as part 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 Performance Bonus on a pro-rata basis – it is at the discretion of the Remuneration Committee.
Bad Leaver	Not applicable.	Individuals lose the right to their Annual Performance Bonus and unvested Deferred Annual Bonus shares.
Change of control	Annual Performance Bonuses are paid and unvested Deferred Share Bonus shares vest on the date of change of control notification to the Executive Directors.	Annual Performance Bonus is paid to the extent that performance conditions have been satisfied and are pro-rated 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 performance conditions have been satisfied and are reduced pro-rata to account for any part of the vesting period remaining.
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.

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 an Executive Director may have a legal entitlement to additional amounts, which would need to be met. The Committee retains discretion to settle other amounts reasonably due to the Executive Director.

The Committee may approve new contractual arrangements with departing Executive Directors including (but not limited to) settlement and/or consultancy arrangements which will be used sparingly and only where it is in the best interests of the Company and shareholders. 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) which may occur as a result of a takeover bid.

Statement of Directors' Shareholdings and Share Interests

Director	Beneficially owned ¹ at 31 December 2019	Beneficially owned ¹ at 31 December 2020	Outstanding LTIP awards at 31 December 2020	Outstanding DAB awards at 31 December 2020	Outstanding share awards under DSB at 31 December 2020	Shareholding as a % of Issued Share Capital at 31 December 2020
Chris Meredith	1,514,804	1,515,241	884,329	57,977	56,609	0.70%
Eddie Johnson	98,787	118,938	210,323	10,854	40,647	0.05%
Peter Allen	50,000	50,000	–	–	–	–
Penny Freer	13,888	13,888	–	–	–	–
Steve Bellamy	100,000	100,000	–	–	–	–

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

Executive Directors are required under the Executive Shareholding Policy to hold shares equivalent in value to 200% of pre-tax annual salary. Compliance with this policy as at 31 December 2020 is shown below, using the share price as at that date:

Director	Shares held ¹	Vested DSBs	LTIPs (50% of vested/unexercised LTIPs)	DAB Awards	Total Shares	Shareholding target (£)	Shareholding value (£)	% holding vs salary
Chris Meredith	1,480,127	35,114	178,332	57,977	1,751,550	609,000	4,256,267	1,397%
Eddie Johnson	19,044	99,894	39,870	10,854	169,662	345,100	412,279	239%

1. Beneficially held by the Executive Director (or their spouse and children).

CEO Total Remuneration

The total remuneration figure for the Chief Executive Officer during each of the last five financial years is shown below. Total remuneration includes salary, Annual Performance Bonus, gains on DSBs in that year and LTIP awards vesting in the year. The Annual Performance Bonus and LTIP vesting level as a percentage of the maximum opportunity is shown for each year.

Year ended 31 December	2016	2017	2018	2019	2020
Total remuneration (£'000)	784	1,040	896	770	537
Annual Bonus (% of maximum)	72.5%	82.6%	50.6%	0%	0%
LTIP vesting (% of maximum)	50%	76.9%	87.3%	90.3%	73.1%

Relative Importance of Spend on Pay

Year ended 31 December	2019 (£m)	2020 (£m)	Change %
Staff costs	33.2	35.8	8%
Dividends ¹	3.0	3.4	11.6%
Tax	5.4	1.5	-71.8%
Profits for the year attributable to owners of the parent	18.9	8.6	-54.7%

1. The dividend figures relate to amounts payable in respect of the prior year.

£1,043,000 (2019: £1,026,000) of staff costs relate to pay for the Directors, of which £590,000 relates to the highest paid Director (2019: £568,000). Total pension contributions were £1,349,000 (2019: £1,309,000) and for the highest paid Director £30,000 (2019: £30,000).

During 2020, distributions to shareholders included a dividend of £2,256,000 paid on 14 June 2020 (2019: £1,931,000) and £1,081,000 paid on 23 October 2020 (2019: £1,074,000). It is proposed that a dividend of 1.20p per share be paid on 18 June 2021. Further details are provided in Note 14 on page 113.

Remuneration Report continued

Private Healthcare

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

Share Options

Employees may be granted share options under the 2019 Share Option Plan (SOP). Options granted under the SOP are not offered at a discount. The exercise of options is conditional on performance conditions, normally after the third anniversary of the date of grant and no later than the tenth anniversary of grant. Full details are included in Note 29 on pages 126 to 131.

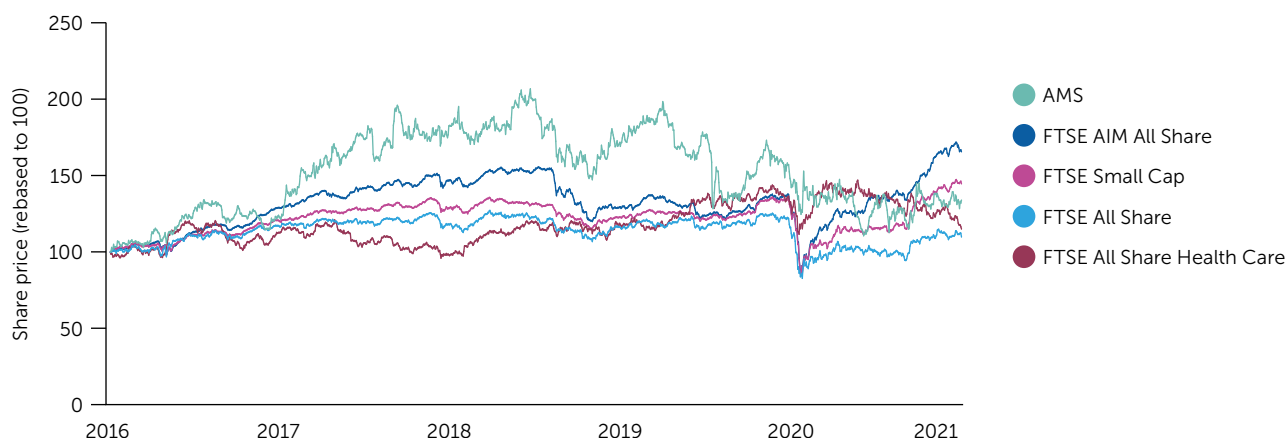
The SOP allows employees to be granted approved or unapproved options. Under the approved part of the SOP, UK employees can receive up to £30,000 of shares by market value of the shares on the grant date and benefit from the growth in value of those shares.

Share Performance – 2020

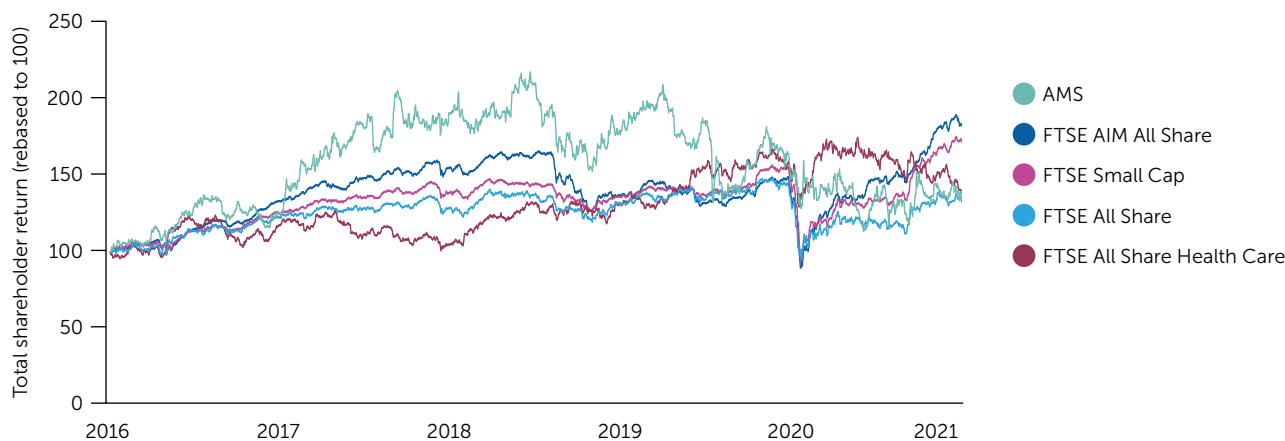
The opening share price for 2020 was 296p and the closing price, on the last trading day of the year, was 243p. The range during the year was 307.5p (high) and 192p (low) (Source: Daily Official List of the London Stock Exchange).

Five-year Share Performance

For the five-year period ending 28 February 2021, the Advanced Medical Solutions Group plc share price outperformed the FTSE All-Share Index by 26% and FTSE All-Share Health Care Index by 20%. It underperformed the FTSE Small Cap Index by 12% and FTSE AIM All-Share Index by 34%.



For the five-year period ending 28 February 2021, the Advanced Medical Solutions Group plc Total Shareholder Return (TSR), share price growth plus reinvested dividends, outperformed the FTSE All-Share Index by 7%, FTSE All-Share Health Care Index by 1% and FTSE Small Cap Index by 32%. It underperformed the FTSE AIM All-Share Index by 43%.



Directors' Report

For the year ended 31 December 2020

This Directors' Report includes disclosures required under the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the 2018 UK Corporate Governance Code (Code). Additional information can be located as follows:

Disclosure	Location
Principal activities, business review and future developments	Throughout the Strategic Report – pages 8 to 49
Results	Financial Statements – pages 82 to 132
Corporate Governance	Corporate Governance Report – pages 56 to 62
Directors' remuneration including Directors' interest in the share capital of the Company	Remuneration Report – pages 66 to 76
Principal Risks and Uncertainties	Principal Risks and Uncertainties – pages 46 to 49
Financial instruments and risk management	Note 24 to the Financial Statements – pages 122 to 124 and in the Strategic Report – pages 46 to 49
Research and development activities	Value creation – page 2 and in the Strategic Report – pages 8 to 49. Financial review on pages 44 and 45
Shareholder, employee and stakeholder engagement	Stakeholder Engagement Report – pages 30 to 35
Sustainability and Environmental, Social and Governance reporting (ESG), Health and Safety	ESG Report – pages 36 to 43
Key Performance Indicators	Key Performance Indicators – pages 24 and 25
Company's capital structure	Group Statement of Changes in Equity – page 86 and in the Financial Statements – Note 27 on page 125
Long Term Incentive Plan and share schemes	Remuneration Report – pages 66 to 76
Events after the balance sheet date	Financial Statements – Note 32 on page 132
Significant subsidiary undertakings	Financial Statements – Note 3 on pages 137 and 138
Non-Financial Reporting Statement	Page 35

Dividends

The Group made a profit before tax for the year to 31 December 2020 of £10.1 million (2019: £24.3 million). The Directors are recommending a final dividend of 1.20p per share (2019: 1.05p per share). The final dividend will, subject to shareholders' approval, be paid on 18 June 2021 to shareholders on the register at the close of business on 28 May 2021. This would make a total dividend of 1.70p for the full year (2019: 1.55p). The Board will continue to review the Group's dividend policy, with future distributions reflecting the cash generation and capital needs of the Company.

Capital Structure

The Group has an undrawn unsecured £80 million credit facility provided jointly by NatWest and HSBC which is in place until December 2023. The 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. 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 on page 125.

Going Concern

The Directors continue to adopt the going concern basis in preparing the Financial Statements. Details of going concern can be found on page 61 and in the Notes forming part of the Financial Statements on page 97.

Share Capital and Issue of Ordinary Shares

At 31 March 2021 the Group's issued share capital is set out below:

	Number	£000	% of Issued Share Capital
Ordinary Shares of 5p each	215,473,287	10,769	100

Directors' Report continued

Substantial Shareholdings

Details of the interests in voting rights in the Company's shares with substantial interests of 3% or more in the Ordinary Share capital of the Company as at 31 March 2021, in accordance with the Disclosure and Transparency Rules:

	31 March 2021	% of Issued Share Capital
Octopus Investments Limited	24,490,812	11.37
AXA SA	12,491,210	5.80
Canaccord Genuity Group Inc	10,078,085	4.68
Charles Stanley Group	9,891,587	4.59
Investec Group	9,787,571	4.54
Groupama	7,317,749	3.40
AEGON	6,937,851	3.22

As at 12 April 2021 one change in these shareholdings has been notified. AXA SA have crossed below the 5% threshold and hold 10,645,216 shares (4.94% of the issued share capital).

Re-election of Directors

The Chairman has determined that each Director demonstrates commitment to their role and displays effective performance and is recommending the re-election of all Directors seeking to remain on the Board. AMS has elected to comply with 2018 Code Provision 18 and therefore all Directors will retire and shall stand for re-election at the AGM to be held on 8 June 2021, with the exception of Steve Bellamy who will retire in accordance with the succession plan outlined on page 56.

The Board has procedures for Directors' conflicts of interest. Only Directors who have no interest in the matter under consideration are able to take the relevant decision. 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. None of the Directors had any conflicts of 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 – Equal Opportunities and Development

AMS is an equal opportunities employer committed to eliminating all forms of discrimination and to giving fair and equal treatment to all employees and job applicants. An Equality, Diversity and Inclusion Policy, to reflect best practice in this area, is in force. Further detail on this area can be found in our ESG Report on pages 36 to 43.

Annual General Meeting

The AGM will be held at 11.00 am on 8 June 2021, in line with the UK Government's latest guidelines on COVID-19. Further details are outlined in the AGM Notice.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and 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 Regulations and have elected to prepare the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Principles (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.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide disclosures when compliance with 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.
- Assess 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.

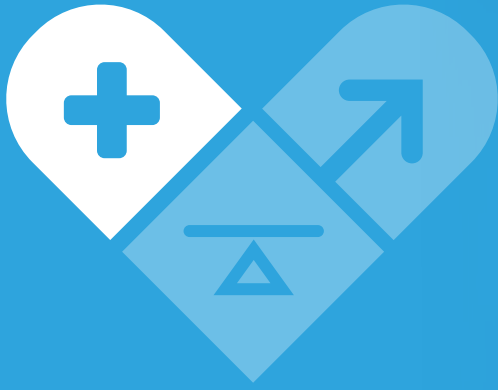
Deloitte LLP has expressed their willingness to continue in office as Auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

The Directors' Report has been approved by the Board and authorised for issue.

Owen Bromley

Company Secretary

12 April 2021



Living by our values: Care

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

AMS performed well in 2020, both operationally and financially, despite severe COVID-19 disruptions which caused a temporary downturn in the demand for our products. AMS has focused on the health, safety and well-being of the employee base and maintaining supply to hospitals and other healthcare providers to ensure our products continue to help with patients and clinicians. Our robust balance sheet allowed us to benefit key stakeholders, enabling us to pay full salary to furloughed employees, to repay UK furlough support and to maintain dividends for our shareholders. We continue to invest in R&D and look to leverage our cash position with strategically-aligned acquisitions to create quality outcomes for our patients, clinicians and partners, whilst making a positive impact on our communities.



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Independent Auditor's Report

to the Members of Advanced Medical Solutions Group plc

1. 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 2020 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Statements of Financial Position;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated Cash Flow Statement;
- the related Consolidated Financial Statement Notes 1 to 32; and
- the related Parent Company Financial Statement Notes 1 to 7.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law, and international accounting standards in conformity with the requirements of the Companies Act 2006. 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).



2. 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.

3. Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • Revenue recognition; • Acquisition accounting; • Carrying value of goodwill related to Sealantis Limited; and • Going concern. <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none">  Newly identified  Similar level of risk
Materiality	The materiality that we used for the Group Financial Statements was £1 million which was determined on the basis of 1.2% of revenue.
Scoping	We focused our Group audit scope on the UK, Germany, the Netherlands, France and Israel with the UK and Germany subject to a full scope audit, and the Netherlands, France and Israel subject to specified procedures. As a consequence of the audit scope determined, we achieved coverage of approximately 99% of revenue, 99% of profit before tax and 99% of net assets.
Significant changes in our approach	<p>The following changes to our approach occurred this year:</p> <ul style="list-style-type: none"> • Change to the benchmark used for materiality (see section 6 for further details); • Biomatlante SA (France) was a new component throughout the year following acquisition in November 2019 and thus audited by the Group team (see section 7 for further details).

4. Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.4.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report continued

to the Members of Advanced Medical Solutions Group plc

5. 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.

5.1. Revenue recognition



Key audit matter description	<p>The Group sells medical devices across a number of geographical regions generating revenue of £86.8 million (2019: £102.4 million).</p> <p>The timing of when revenue is recognised is relevant to the reported performance of the Group. There is opportunity through manipulation or error to misstate the allocation of revenue between periods. This timing of revenue recognised, in particular around year end, is a focus for material Group revenue streams. Pressures to meet stakeholder expectations could provide incentives to record revenues where risk and reward have not passed.</p> <p>We have specifically focused this key audit matter to cut-off and occurrence of revenue recorded within November and December 2020. We have also considered other one-off material revenue transactions based on our understanding of monthly peaks in sales reported and the associated credit terms with those, and other major, customers.</p> <p>The associated disclosure is included within Note 4 to the Financial Statements. For specific detail on the Groups accounting policy, please see Note 3 to the Financial Statements.</p>
How the scope of our audit responded to the key audit matter	<p>We obtained an understanding of the relevant controls over the revenue process.</p> <p>We tested a sample of individual sales transactions and traced to despatch notes and subsequent cash receipt or other supporting documents.</p> <p>We performed a detailed analysis of revenue trends within each Business Unit including:</p> <ul style="list-style-type: none"> • inquiry of management and obtaining evidence of management reviews of actual revenue to budget; and • performing enquiries of management and key members of the commercial team to identify any key changes to sales terms in force compared to the previous year. <p>To evaluate cut off and occurrence of revenue within the risk period:</p> <ul style="list-style-type: none"> • we identified the population upon which a risk of material misstatement could be likely and for the population identified we evaluated a sample of sales transactions to despatch records, or alternative evidence, to confirm timing and occurrence of the transaction; • we interrogated and analysed any credit notes post year end which may contradict occurrence of revenue; and • we analysed the receivables ledgers at year end and post year end to identify and interrogate any material overdue debts.
Key observations	<p>Based on the work performed we concluded that revenue has been recognised appropriately.</p>

5.2. Acquisition accounting



Key audit matter description	<p>During the year, the Group has acquired Raleigh Adhesive Coatings Limited.</p> <p>On 23 November 2020, the Group acquired the entire issued share capital of Raleigh Adhesive Coatings Limited for £22 million, generating £8.7 million in intangible assets and £13.2 million in goodwill. A discount rate of 10.2% was used by management in discounting to fair value and seven year forecasts were used to determine the net present value. After 2027, a terminal value calculation was used with a 2.5% long-term growth rate. Within the forecasts, management have made assumptions of growth within the business underpinned by growth in sales of existing products reliant on know-how as well as new product sales, giving an overall growth rate of 10%.</p> <p>In the acquisition, the intangibles were identified using various valuation techniques: excess earning, relief from royalty and replacement cost.</p> <p>Accounting for acquisitions under IFRS 3 Business combinations is complex as management are required to separately identify and value the intangible assets acquired, which involves a higher level of judgement.</p> <p>The associated disclosure is included within Note 31 to the Financial Statements. For specific detail on the Group's accounting policy, please see Note 3 to the Financial Statements.</p>
How the scope of our audit responded to the key audit matter	<p>We obtained an understanding of the relevant controls within acquisition accounting.</p> <p>We reviewed the sale and purchase agreements (SPA), other transactional documentation and third party purchase price allocation reports to evaluate the goodwill and intangible assets recognised and to corroborate the consideration paid.</p> <p>With the involvement of internal specialists, we evaluated the valuation techniques, reasonableness of assumptions applied, to challenge the appropriateness of the discount rate and whether the fair value model being used is appropriate considering circumstances identified. Together with our internal specialists we assessed the reasonableness of valuation assumptions such as long-term growth rate and valuation multiples.</p> <p>We challenged the discount rates used by independently setting expectations based on various competitors to the Group and third party information available, such as beta values, risk-free rates and cost of debt and premiums based on the size of the acquisition or the risk profile of the entity. We then compared management's calculation to that derived by us with the help of our internal specialists.</p> <p>We have reviewed the key judgments and assumptions to cash flow forecasts, including assessing the potential impact of market developments and strategic plans allowing us to consider sensitivities and whether it reflects a reasonable possible change.</p> <p>We have evaluated whether the policies for acquisition accounting within the Financial Statements are consistent with the principles of <i>IFRS 3 Business combinations</i> and have been applied appropriately.</p>
Key observations	<p>Based on the work performed we are satisfied that the intangible assets and goodwill generated on acquisition have been valued appropriately. The assumptions around the growth rate, discount rate and customer relationship intangibles all appear appropriate.</p>

Independent Auditor's Report continued

to the Members of Advanced Medical Solutions Group plc

5.3. Carrying value of goodwill related to Advanced Medical Solutions (Sealantis) Limited (Sealantis)

Key audit matter description	<p>During 2019, the Group acquired a business (Sealantis) which has yet to begin trading and is within the development stage. The Group has significant values of goodwill (£9.2 million, (2019: £9.6 million)) and intangible assets (£13 million (2019: £15 million)) in relation to this acquisition.</p> <p>Sealantis is recognised as its own cash generating unit. A discount rate of 17.5% (2019: 22.5%) has been applied in determining the net present value to represent the increased risk presented by the development stage of the acquisition. IAS 36 states that the discount rate is risk adjusted to reflect the way that the market would assess the specific risks associated with the asset's estimated cash flows; and to exclude risks that are not relevant to the asset's estimated cash flows or for which the estimated cash flows have been adjusted.</p> <p>Management has used a 21 year period to forecast their results. Within the forecast, management has assumed a 9.6% growth rate per annum over 21 years and that the entity will return a positive EBITDA from the fourth year onwards.</p> <p>We observed that management's long term growth rate goes out beyond the period supported by third party data, and the discount rate used was prepared on a post-tax basis as opposed to the pre-tax basis required in accordance with <i>IAS 36 Impairment of assets</i>.</p> <p>There is a risk that the carrying value of goodwill and intangible assets may be higher than its value in use due to the judgement required in forecasting future sales of the entity given it is in the development stage. We have considered the carrying value and indicators of impairment in accordance with <i>IAS 36 Impairment of assets</i>.</p> <p>The associated disclosure is included within Note 19 to the Financial Statements. For specific detail on the Group's accounting policy, please see Note 3 to the Financial Statements.</p>
How the scope of our audit responded to the key audit matter	<p>We obtained an understanding of the controls relevant to management's impairment review.</p> <p>We have understood and challenged the rationale behind the risk adjusted discount rate applied to the specific cash generating unit reflecting the additional risk relating to the development stage of the business and the associated inherent risk. With the support of internal specialists, we challenged the appropriateness of the risk adjusted discount rate.</p> <p>IAS 36 states that the discount rate is risk adjusted to reflect the way that the market would assess the specific risks associated with the asset's estimated cash flows; and to exclude risks that are not relevant to the asset's estimated cash flows or for which the estimated cash flows have been adjusted. To gain assurance over the risk adjustment to the discount rate, which is highly judgemental, we have sensitized management's model as to what percentage probability of product success would cause the model to break even. We demonstrated that the discount rate of 17.5% applied by management implied a much lower rate of success than we would normally expect for a product at the stage of development that Sealantis were at as at the year end. Moving to the expected risk adjustment rate would give a risk adjusted rate lower than the rate adopted by management of 17.5%.</p> <p>We challenged the underlying assumptions included within the budgets by discussing with management and corroborating committed plans through review of management papers and underlying evidence. We assessed the potential impact to EBITDA of changes in the market and internal hurdles in the development process, including understanding the current status of product approvals from relevant notified bodies.</p> <p>We have compared the forecasts to a selection of market reports and evaluated management's justifications for future cash flows which supported the cash flows applied by management are reasonable. We evaluated the forecast period used by management in their model.</p> <p>We re-performed the sensitivity analysis and performed additional sensitivities on the time impact of delaying results, or considering the impact reduced revenue growth, considering what data was available from third parties to support market growth rates and the group's potential market share.</p>
Key observations	<p>Whilst management's model would appear to be optimistic in its growth rate assumptions and outside of our acceptable range, the discount rate used is also outside of our acceptable range, however on the prudent side. However, overall the carrying value is appropriate and does not indicate an impairment is required.</p> <p>Based on the work performed we concluded that no impairment should be recorded against the Sealantis cash generating unit and that goodwill and intangible assets are fairly stated.</p>

5.4. Going concern



Key audit matter description	<p>During the year there was a global outbreak of the COVID-19 strain of Coronavirus, and business continue to be impacted by the ongoing uncertainty around further outbreaks in each jurisdiction, with national lockdowns being called and rules changed as more understanding around the pandemic in each country develops and/or new variants are uncovered.</p> <p>There is a risk that one or more of the following apply and need to be considered:</p> <ul style="list-style-type: none"> • the extent of operational disruption; • potential diminished demand for products or services; • contractual obligations due or anticipated within one year; • potential liquidity and working capital shortfalls; and • access to existing sources of capital. <p>There is therefore additional levels of uncertainty in respect to the going concern assumptions being applied.</p> <p>Given the added level of uncertainty in the application of the going concern basis of accounting, additional time has been required by both management and the audit team to prepare and audit models and forecasts and challenge their basis of preparation, including any assumptions made within the models.</p> <p>The associated disclosure is included within Note 2 to the Financial Statements.</p>
How the scope of our audit responded to the key audit matter	<p>We obtained an understanding of the controls relevant to management's assessment of the going concern basis of preparation.</p> <p>We have reviewed and challenged management's going concern paper, and we have completed the following additional audit procedures:</p> <p>We have evaluated management's method to assess the Company's ability to continue as a going concern in light of COVID-19; assessing completeness of all material aspects of the business being considered.</p> <p>We have evaluated the relevance and reliability of the underlying data used to make the assessment of the impact of COVID-19.</p> <p>We have evaluated the assumptions on which management's assessment of the impact of COVID-19 is based by determining whether there is adequate support for the assumptions underlying management's assessment. We have also performed sensitivities on their assumptions to stress test them and to evaluate whether the assumptions are sensitive to small variations. We have then evaluated how much headroom remains in the forecasts to assess whether the going concern assumption remains appropriate.</p> <p>In reviewing management's assessment, we have considered:</p> <ul style="list-style-type: none"> • Their presentation to the Board which looks out to April 2022, i.e. twelve months from approval of the Annual Report and Accounts. The paper indicates significant headroom before taking into consideration their undrawn committed £80m facility; • The £80m facility which carries two financial covenants, and management do not expect to breach these. Our work did not identify any expected breaches, and there is nothing to indicate the facility would become unavailable for any reason; • Their forecasts for each Business Unit and reasonably possible sensitivities after a year of trading through the worst of COVID-19 pandemic. In accordance with the enhanced requirements of ISA 570, management has performed sensitivities and considered other possible impacts, such as foreign exchange, Brexit. We have reviewed the appropriateness of the sensitivities in respect of what is reasonably possible, and also based on hindsight of performance through the lockdowns throughout the year and post year-end.
Key observations	<p>Based on the work performed we concluded that the adoption of the going concern basis of accounting is appropriate.</p>

Independent Auditor's Report continued

to the Members of Advanced Medical Solutions Group plc

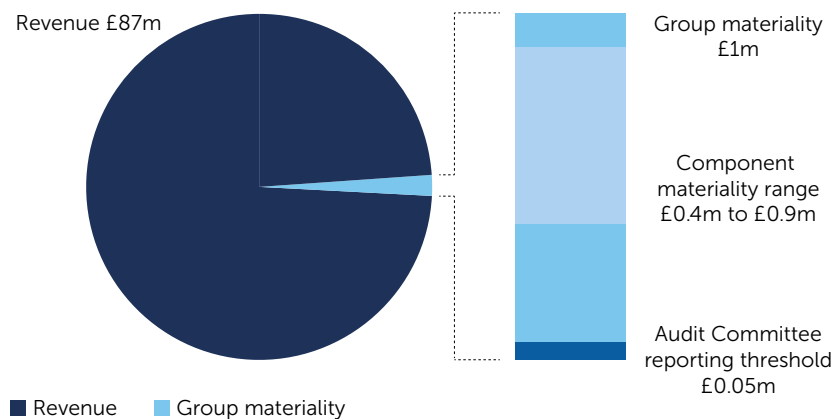
6. Our application of materiality

6.1. 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 million (2019: £1.2 million)	£0.9 million (2019: £1.1 million)
Basis for determining materiality	1.2% of revenue (2019: 5% of pre-tax profit)	The Parent Company materiality represents less than 1% of equity (2019: less than 1% of Group's equity) which is capped at 90% of Group materiality
Rationale for the benchmark applied	Revenue and profit continues to be of focus to the Group. Previously we have used 5% of profit before tax as the benchmark, but following the impact of COVID-19, we do not believe this to be an appropriate basis this year, with profits being more severely impacted than revenues due to the relative fixed cost base. As a fairer reflection of trade, we believe revenue represents the next best measure and is considered to be a key focus of the users of the Financial Statements.	As a non-trading Parent Company, equity is the key driver of the Company.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole.

	Group Financial Statements	Parent Company Financial Statements
Performance materiality	70% (2019: 70%) of group materiality	70% (2019: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: <ul style="list-style-type: none"> the quality of the control environment; and our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods. 	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.05 million (2019: £0.06 million), 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.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

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, the Netherlands, France and Israel, with the UK and Germany subject to a full scope audit and the Netherlands, France and Israel subject to specified procedures. As a consequence of the audit scope determined, we achieved coverage of 99% (2019: 100%) of the Group's revenue, 99% (2019: 95%) of the Group's profit before tax and 99% (2019: 99%) 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 £0.4 million to £0.9 million (2019: £0.6 million to £0.8 million).

7.2. Working with other auditors

Audit work to respond to the risks of material misstatement was performed directly by the Group audit engagement team except for Germany which is audited by the component auditor Deloitte & Touche GmbH. During the year and subsequent to the year-end, senior members of the Group audit team have engaged in regular communications with Deloitte & Touche GmbH. We included the component audit team in our team briefing, discussed their risk assessment, had a virtual planning meeting, virtually attended the close meeting and reviewed their documentation of the findings from their work virtually. We do not consider our interactions with the component auditor to be impacted significantly due to COVID-19.

At the Group 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.

8. Other information

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

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

9. 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.

10. 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/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report continued

to the Members of Advanced Medical Solutions Group plc

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including valuations and IT regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud within revenue recognition due to possible pressures to meet stakeholder expectations could provide incentives to record revenues where risk and reward have not passed. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the Financial Statements. The key laws and regulations we considered in this context included the UK Companies Act, AIM Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty, such as those set out by the relevant regulatory bodies.

11.2. Audit response to risks identified

As a result of performing the above, we did not identify revenue recognition as a key audit matter related to the potential risk of fraud or non-compliance with laws and regulations. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

Our procedures to respond to risks identified included the following:

- reviewing the Financial Statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- enquiring of management, the Audit Committee and legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and regulatory licensing authorities; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and 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.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. 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.

14. 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
12 April 2021

Consolidated Income Statement

For the year ended 31 December 2020

	Note	Year ended 31 December 2020			Year ended 31 December 2019		
		Before exceptional items £'000	Exceptional items £'000	Total £'000	Before exceptional items £'000	Exceptional items £'000	Total £'000
Revenue from continuing operations	4	86,796	–	86,796	102,368	–	102,368
Cost of sales		(40,756)	–	(40,756)	(41,885)	–	(41,885)
Gross profit		46,040	–	46,040	60,483	–	60,483
Distribution costs		(1,071)	–	(1,071)	(997)	–	(997)
Administration costs		(33,658)	(834)	(34,492)	(34,566)	(1,053)	(35,619)
Other income		253	–	253	376	–	376
Profit from operations	4, 5	11,564	(834)	10,730	25,296	(1,053)	24,243
Finance income	11	220	–	220	406	–	406
Finance costs	12	(861)	–	(861)	(392)	–	(392)
Profit before taxation		10,923	(834)	10,089	25,310	(1,053)	24,257
Income tax	13	(1,505)	–	(1,505)	(5,338)	–	(5,338)
Profit for the year attributable to equity holders of the parent		9,418	(834)	8,584	19,972	(1,053)	18,919
Earnings per share							
Basic	15	4.38p	(0.39p)	3.99p	9.30p	(0.49p)	8.81p
Diluted	15	4.32p	(0.38p)	3.94p	9.21p	(0.49p)	8.72p
Adjusted diluted	15	5.44p	(0.38p)	5.06p	9.83p	(0.49p)	9.34p

The above results relate to continuing operations.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Profit for the year		8,584	18,919
<i>Items that will potentially be reclassified subsequently to profit and loss:</i>			
Exchange differences on translation of foreign operations		3,507	(3,538)
Gain arising on cash flow hedges		842	3,091
Deferred tax charge arising on cash flow hedges	18	(160)	(130)
Other comprehensive income/(expense) for the year		4,189	(577)
Total comprehensive income for the year attributable to equity holders of the parent		12,773	18,342

Consolidated Statement of Financial Position

At 31 December 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Acquired intellectual property rights	16	9,879	9,478
Technology based intangible assets	16	22,357	15,985
Software intangibles	16	2,437	2,832
Development costs	16	7,368	5,039
Goodwill	19	68,911	53,558
Property, plant and equipment	17	30,064	27,707
Deferred tax assets	18	–	96
Trade and other receivables	21	364	531
		141,380	115,226
Current assets			
Inventories	20	21,025	17,655
Trade and other receivables	21	21,107	29,221
Current tax assets		1,214	129
Cash and cash equivalents	22	53,829	64,751
		97,175	111,756
Total assets		238,555	226,982
Liabilities			
Current liabilities			
Trade and other payables	23	13,139	14,043
Current tax liabilities		319	1,781
Lease liability	23	1,257	1,353
		14,715	17,177
Non-current liabilities			
Trade and other payables	23	3,229	3,150
Deferred tax liabilities	18	8,536	6,409
Lease liability	23	9,864	8,347
Borrowings	23	–	664
		21,629	18,570
Total liabilities		36,344	35,747
Net assets		202,211	191,235
Equity			
Share capital	27	10,769	10,745
Share premium		36,288	36,226
Share-based payments reserve		11,142	9,466
Investment in own shares	28	(162)	(159)
Share-based payments deferred tax reserve		430	649
Other reserve	28	1,531	1,531
Hedging reserve	28	1,237	555
Translation reserve	28	3,258	(249)
Retained earnings		137,718	132,471
Equity attributable to equity holders of the parent		202,211	191,235

The Financial Statements of Advanced Medical Solutions Group plc (registration number 2867684) on pages 92 to 132 were approved by the Board of Directors and authorised for issue on 12 April 2021 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

Attributable to equity holders of the Group	Share capital £'000	Share premium £'000	Share-based payments £'000	Investment in own shares £'000
At 31 December 2018	10,674	35,192	7,333	(156)
Consolidated profit for the year to 31 December 2019	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	–	–
Share-based payments	–	–	1,856	–
Share options exercised	71	1,034	277	–
Shares purchased by EBT	–	–	–	(603)
Shares sold by EBT	–	–	–	600
Dividends paid	–	–	–	–
At 31 December 2019	10,745	36,226	9,466	(159)
Consolidated profit for the year to 31 December 2020	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	–	–
Share-based payments	–	–	1,611	–
Share options exercised	24	62	65	–
Shares purchased by EBT	–	–	–	(542)
Shares sold by EBT	–	–	–	539
Dividends paid	–	–	–	–
At 31 December 2020	10,769	36,288	11,142	(162)

Share-based payments deferred tax £'000	Other reserve £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
708	1,531	(2,406)	3,289	116,560	172,725
-	-	-	-	18,919	18,919
-	-	2,961	(3,538)	-	(577)
-	-	2,961	(3,538)	18,919	18,342
(59)	-	-	-	-	1,797
-	-	-	-	-	1,382
-	-	-	-	-	(603)
-	-	-	-	-	600
-	-	-	-	(3,008)	(3,008)
649	1,531	555	(249)	132,471	191,235
-	-	-	-	8,584	8,584
-	-	682	3,507	-	4,189
-	-	682	3,507	8,584	12,773
(219)	-	-	-	-	1,392
-	-	-	-	-	151
-	-	-	-	-	(542)
-	-	-	-	-	539
-	-	-	-	(3,337)	(3,337)
430	1,531	1,237	3,258	137,718	202,211

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash flows from operating activities			
Profit from operations		10,730	24,243
<i>Adjustments for:</i>			
Depreciation		3,467	3,154
Amortisation			
– intellectual property rights		2,269	1,683
– software intangibles		563	519
– development costs		533	492
Increase in inventories		(1,892)	(2,454)
Decrease/(Increase) in trade and other receivables		10,262	(574)
Decrease in trade and other payables		(2,292)	(1,275)
Share-based payments expense		1,611	1,856
Taxation		(3,740)	(5,945)
Net cash inflow from operating activities		21,511	21,699
Cash flows from investing activities			
Purchase of software		(126)	(826)
Capitalised research and development		(2,788)	(2,355)
Purchases of property, plant and equipment		(2,346)	(2,673)
Disposal of property, plant and equipment		136	4
Interest received		277	422
Acquisition of subsidiaries (net of cash acquired)	31	(21,924)	(24,145)
Net cash used in investing activities		(26,771)	(29,573)
Cash flows from financing activities			
Dividends paid		(3,337)	(3,008)
Repayment of principal under lease liabilities		(1,150)	(925)
Repayment of bank loan		(664)	–
Issue of equity shares		65	1,066
Shares purchased by EBT		(542)	(603)
Shares sold by EBT		539	600
Interest paid		(735)	(709)
Net cash used in financing activities		(5,824)	(3,579)
Net decrease in cash and cash equivalents		(11,084)	(11,453)
Cash and cash equivalents at the beginning of the year		64,751	76,391
Effect of foreign exchange rate changes		162	(187)
Cash and cash equivalents at the end of the year		53,829	64,751

Notes Forming Part of the Consolidated Financial Statements

1 Reporting entity

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

The Company's Ordinary Shares are traded on the AIM market of the London Stock Exchange plc. The consolidated financial statements of the Company for the twelve months ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the 'Group').

The Group is a world-leading independent developer and manufacturer of innovative and technologically advanced products for the global surgical and woundcare markets, focused on quality outcomes for patients and value for payers. AMS has a wide range of surgical products including tissue adhesives, sutures, haemostats, and internal fixation devices, which it markets under its brands LiquiBand®, RESORBA®, and LiquiBandFix8®. AMS also supplies wound care dressings such as silver alginates, alginates and foams through its ActivHeal® brand as well as under white label.

2 Basis of preparation

The Group Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). 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 the current year the Group has applied a number of amendments to IFRSs issued by the IASB. Their adoption has not had a material impact on the disclosures or on the amounts reported in the Annual Financial Statements. The following amendments were applied:

- Amendments to References to the Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (amendments to IAS 1 and IAS 8).
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS7).
- Conceptual Framework for Financial Reporting (Revised).

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 a period of 12 months from the date of signing 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. In light of the COVID-19 pandemic, sensitivity analysis has been prepared to stress test forecasts and the Directors are confident the business can withstand the challenges and is a going concern, due to the significant headroom available.

Whilst the Group experienced a decline in revenue as a result of the COVID-19 pandemic, caused by the cancellation or postponement of elective surgeries and a reduction in accident and emergency treatment as a result of the global lockdowns, the Group remained profitable and cash generative when excluding acquisitions in the year. With regards to the Group's financial position, it had cash and cash equivalents at the year-end of £53.8 million. The Group has an undrawn £80 million, multi-currency credit facility with a £20 million accordion option. The credit facility is provided jointly by HSBC UK Bank PLC and NatWest Bank PLC 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 as well as certain financial covenants that need to be complied with.

While the current economic environment is very uncertain, in particular in relation to COVID-19, 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 in the medium-term once the impact of COVID-19 subsides. The Group has a large number of contracts with customers across different geographic regions and also with substantial financial resources, ranging from government agencies through to global healthcare companies.

Having taken the above into consideration, the Directors have reached a conclusion that the Group is well placed to manage its business risks in the current economic environment, including Brexit and COVID-19. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Notes Forming Part of the Consolidated Financial Statements continued

3 Accounting policies

Critical Accounting Judgements 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, one key source of estimation uncertainty has been identified that could potentially have a material adjustment to the carrying amounts of assets and liabilities in future financial years. No critical accounting judgement or key sources of estimation uncertainty have been identified in relation to Brexit.

Valuation of assets acquired on acquisition

Upon acquisition of Raleigh in 2020, the Group has identified assets and liabilities arising on acquisitions and devised fair values for them (see Note 31). Third party valuation specialists were engaged to assist in the identification and valuation of separable intangible assets. Management considers that the methodologies adopted in the valuation are supportable and reasonable but there are inherent sources of estimation uncertainty due to the inclusion of future cash flows in the valuation which include estimates of sales growth, production costs and operating expenditure. Discount rates used in determining the fair values are based on management's assessment of risk inherent in the current business model and are an area of judgment.

Carrying value of assets acquired on acquisitions

The Group has a number of cash generating units (see Note 19) which have identified assets and liabilities arising on acquisitions and devised fair values for them. Management subsequently assess the carrying value as part of the annual impairment review. Management considers that the methodologies adopted in the impairment review are supportable and reasonable but there are inherent sources of estimation uncertainty due to the inclusion of future cash flows in the valuation which include estimates of sales growth and market share of the relevant market, production costs, capital expenditure and operating expenditure. As Sealantis (Surgical: CGU2) is a pre-commercialisation venture, its cash flows are particularly judgemental but are predicted to support the carrying value of these assets. Discount rates used in determining the fair values are based on management's assessment of risk inherent in the current business model and are an area of judgment.

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. All entities within the Group have the same year-end, apart from Raleigh Coatings which has been aligned with the Group through an eight month period ending 31 December 2020.

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 in the Income Statement.

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 on the basis of the recoverable amount for the relevant cash-generating unit. In assessing recoverable amount, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessments of the time. Any impairment is recognised immediately in the Income Statement 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 2020, £3.9 million (2019: £3.4 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.

Grants

Grants are recognised only when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Grants related to income are presented as a deduction of the related cost. Grants that are receivable as compensation for expenses already incurred are recognised in the Income Statement in the period in which they become receivable. £0.4 million received in the year in respect of the UK Government furlough Scheme has been repaid by the Group.

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 arise from interest on the Group's credit facilities, lease liabilities and financial liabilities. They are recognised in the Income Statement as they accrue using the effective interest method.

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

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

Provisions

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

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the 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.

Notes Forming Part of the Consolidated Financial Statements continued

3 Accounting policies continued

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, 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.

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the Income Statement in the periods when the hedged item affects the Income Statement, in the same line as the recognised hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to the Income Statement.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to the Income Statement when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to the Income Statement.

The Group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in the Income Statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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.

Other intangible assets

Other intangibles consist mainly of research and device technologies and customer-related intangible assets acquired on acquisition and are initially recognised at their fair value. Other intangibles are amortised over their estimated useful economic lives, between 9 and 12 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 between one and five years, which is deemed to be the useful economic life.

Notes Forming Part of the Consolidated Financial Statements continued

3 Accounting policies continued

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 and Right-of-use assets – Shorter of useful economic life and unexpired period of the lease
- Plant and machinery – 6.7% to 33.3% per annum on cost
- Fixtures and fittings – 33.3% per annum on cost
- Motor vehicles – 25% per annum on cost

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

No depreciation is provided on freehold land.

Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal 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 the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income Statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in the Income Statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Income Statement to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

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 value of money.

Reversal of impairment

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

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

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

Inventory

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

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

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

Financial instruments

Classification of financial instruments

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

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

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

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

Recognition and valuation of financial assets

Cash and cash equivalents

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

Trade and other receivables

Trade and other 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 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.

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Notes Forming Part of the Consolidated Financial Statements continued

3 Accounting policies continued

Financial instruments continued

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months of the reporting date.

De-recognition of financial assets:

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the Income Statement. In addition, on derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to the Income Statement. In contrast, on de-recognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to the Income Statement, but is transferred to retained earnings.

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 using the effective interest method.

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 the Income Statement. 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 the Income Statement (administrative costs) immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Income Statement 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

For all leased assets, the lessee recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available to use. Assets and liabilities arising from a lease are initially measured on a present value basis using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. Lease payments are allocated between the liability and finance expense. The finance expense is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. Payments associated with leases with a lease term of 12 months or less and leases of low-value assets are recognised as an expense in the Income Statement on a straight-line basis.

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 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 the Income Statement 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 2020, the Group had net funds with no borrowings. Working capital is managed in order to generate maximum conversion of profits into cash and cash equivalents thereby maintaining capital.

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

Employee Benefit Trusts

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

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions and include:

Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

Amendments to IFRS 3 – Reference to the Conceptual Framework

Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

Notes Forming Part of the Consolidated Financial Statements continued

4 Segment information

The Group is organised into two Business Units: Surgical and Woundcare. These Business Units are the basis on which the Group reports its segment information.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, corporate assets, head office expenses and income tax assets. These are the measures reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance.

Business segments

Segment information about these businesses is presented below.

Year ended 31 December 2020	Surgical £'000	Woundcare £'000	Consolidated £'000
Revenue			
External sales	50,169	36,627	86,796
Result			
Adjusted segment operating profit	9,094	5,357	14,451
Amortisation of acquired intangibles	(2,132)	(137)	(2,269)
Segment operating profit	6,962	5,220	12,182
Unallocated expenses			(618)
Exceptional costs			(834)
Operating profit			10,730
Finance income			220
Finance costs			(861)
Profit before tax			10,089
Tax			(1,505)
Profit for the year			8,584
At 31 December 2020	Surgical £'000	Woundcare £'000	Consolidated £'000
Other information			
Capital additions:			
Software intangibles	74	52	126
Development	1,659	1,129	2,788
Property, plant and equipment	1,367	979	2,346
Depreciation and amortisation	(4,709)	(2,123)	(6,832)
Statement of Financial Position			
Assets			
Segment assets	155,301	82,999	238,300
Unallocated assets			255
Consolidated total assets			238,555
Liabilities			
Segment liabilities	20,354	15,990	36,344

Year ended 31 December 2019	Surgical £'000	Woundcare £'000	Consolidated £'000
Revenue			
External sales	56,544	45,824	102,368
Result			
Adjusted segment operating profit	16,086	11,378	27,464
Amortisation of acquired intangibles	(1,675)	(8)	(1,683)
Segment operating profit	14,411	11,370	25,781
Unallocated expenses			(485)
Exceptional costs			(1,053)
Operating profit			24,243
Finance income			406
Finance costs			(392)
Profit before tax			24,257
Tax			(5,338)
Profit for the year			18,919
Other information			
Capital additions:			
Software intangibles	364	462	826
Research & development	1,346	1,009	2,355
Property, plant and equipment	1,393	1,280	2,673
Depreciation and amortisation	(3,985)	(1,863)	(5,848)
Statement of Financial Position			
Assets			
Segment assets	160,241	66,354	226,595
Unallocated assets			387
Consolidated total assets			226,982
Liabilities			
Segment liabilities	21,647	14,100	35,747

Notes Forming Part of the Consolidated Financial Statements continued

4 Segment information continued**Geographical segments**

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

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

Year ended 31 December	2020 £'000	2019 £'000
United Kingdom	16,748	20,151
Germany	18,888	20,018
France	4,369	3,913
Rest of Europe	18,027	19,563
United States of America	23,690	34,879
Rest of World	5,074	3,844
	86,796	102,368

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

At year ended 31 December	2020 £'000	2019 £'000
United Kingdom	125,343	117,055
Germany	71,752	69,501
France	9,703	9,613
Rest of Europe	7,224	5,106
United States of America	3,370	2,532
Israel	21,163	23,175
	238,555	226,982

5 Profit from operations

Year ended 31 December	2020 £'000	2019 £'000
Profit from operations is arrived at after charging:		
Depreciation of property, plant and equipment	3,467	3,154
Amortisation of:		
– acquired intellectual property rights and other intangible assets	2,269	1,683
– software intangibles	563	519
– development costs	533	492
Research and development costs expensed excluding regulatory costs	3,727	3,195
Cost of inventories recognised as expense	40,397	40,717
Write down of inventories expensed	359	504
Staff costs	35,828	33,179
Net foreign exchange loss	376	2,790

6 Exceptional items

During 2020, £834,000 of exceptional costs were incurred mainly relating to the acquisition of Raleigh Adhesive Coatings Limited and transaction costs to participate in another potential process which was ultimately unsuccessful (2019: £1,053,000 mainly relating to the acquisition and integration of Sealantis Ltd and Biomatlante SA and transaction costs to participate in another potential process which was ultimately unsuccessful). Transaction costs typically relate to external professional service costs during transaction evaluation and completion where successful.

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 2020 £'000	Year ended 31 December 2019 £'000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	23	23
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	155	152
Total audit fees	178	175
Audit related assurance services	22	24
Other services	–	175
Total non-audit fees	22	199
	200	374

Audit related assurance services relate to the review of the half-yearly financial report.

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.

Notes Forming Part of the Consolidated Financial Statements continued

8 Employees

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

	Year ended 31 December 2020 Number	Year ended 31 December 2019 Number
Production	379	361
Research and development	59	50
Sales and marketing	133	139
Administration	119	114
	690	664

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Staff costs for all employees, including Executive Directors, consists of:		
Wages and salaries	28,554	25,858
Social Security costs	4,314	4,156
Pension costs	1,349	1,309
Share-based payments (see Note 29)	1,611	1,856
	35,828	33,179

9 Directors' emoluments

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Remuneration for management services	643	604
Pension costs	47	47
Amounts paid to third parties	19	68
Share-based payments	334	308
	1,043	1,026

The Group's highest paid Director is disclosed in the Remuneration Report on page 72.

Retirement benefits are accruing to the following number of Directors under money purchase schemes	2	2
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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 2020 £'000	Year ended 31 December 2019 £'000
Salaries, fees and short-term employee benefits	1,667	1,659
Pension costs	106	108
Share-based payments	595	607
	2,368	2,374

11 Finance income

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Bank interest	220	406

12 Finance costs

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Amortisation of facility fees	299	299
Finance lease interest	375	383
Other interest	20	55
Change in long-term liabilities	167	(345)
	861	392

Change in long-term liabilities relates to movements in the long-term liabilities arising on the acquisition of Sealantis in 2019. The expense occurs as the liabilities unwind and for any changes to sales projections. (See Note 24 for further information on how these liabilities are calculated).

Notes Forming Part of the Consolidated Financial Statements continued

13 Taxation**a) Analysis of charge for the year**

Year ended 31 December	2020 £'000	2019 £'000
Current tax:		
Tax on ordinary activities – current year	1,514	5,195
Tax on ordinary activities – prior year	21	5
	1,535	5,200
Deferred tax:		
Tax on ordinary activities – current year	(3)	61
Tax on ordinary activities – prior year	(27)	77
	(30)	138
Tax charge for the year	1,505	5,338

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 (2019: higher) than the weighted average Group tax rate of 24.6% (2019: 21.6%) as explained below:

Year ended 31 December	2020 £'000	2019 £'000
Profit before taxation	10,089	24,257
Profit multiplied by the weighted average Group tax rate 24.6% (2019: 21.6%)	2,481	5,248
Effects of:		
Expenses not deductible for tax purposes and other timing differences	268	246
Patent Box Relief	(1,091)	(124)
Utilisation of trading losses	–	(26)
Net impact of deferred tax on capitalised development costs and R&D relief	(186)	(131)
Share-based payments	39	43
Adjustments in respect of prior year – current tax	21	5
Adjustments in respect of prior year and rate changes – deferred tax	(27)	77
Taxation	1,505	5,338

Subsequent to year-end, the UK Government has proposed to increase UK corporation tax to 25% from April 2023. The Group will apply revised, substantively enacted rates in future reporting periods. The Group is currently assessing the impact of this rate change and expects it to increase the Group's effective tax rate.

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

- Excess tax deductions related to share-based payments on exercised options, totalling £65,000 surplus: (2019: £277,000 surplus).
- Changes in excess deferred tax deductions related to share-based payments, totalling £219,000 surplus: (2019: £59,000 surplus).

A Deferred tax charge arising on cash flow hedges is included in other comprehensive income totalling £160,000 (2019: £130,000).

14 Dividends

Amounts recognised as distributions to equity holders in the period:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Final dividend for the year ended 31 December 2019 of 1.05p (2018: 0.90p) per Ordinary Share	2,256	1,931
Interim dividend for the year ended 31 December 2020 of 0.50p (2019: 0.50p) per Ordinary Share	1,081	1,077
	3,337	3,008
Proposed final dividend for the year ended 31 December 2020 of 1.20p (2019: 1.05p) per ordinary share	2,585	2,256

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

Year ended 31 December	2020 Number of shares	2019 Number of shares
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	215,126	214,730
Effect of dilutive potential Ordinary Shares: share options, deferred share bonus and LTIPs	2,705	2,107
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	217,831	216,837
	£'000	£'000
Profit for the year attributable to equity holders of the parent	8,584	18,919
Exceptional costs	834	1,053
Amortisation of acquired intangible assets	2,269	1,683
Movement in liability fair value accounting	167	(345)
Adjusted profit for the year attributable to equity holders of the parent	11,854	21,310
Earnings per share	pence	pence
Basic EPS	3.99	8.81
Diluted EPS	3.94	8.72
Adjusted basic EPS	5.51	9.92
Adjusted diluted EPS	5.44	9.83

Notes Forming Part of the Consolidated Financial Statements continued

16 Acquired intellectual property rights, software intangibles and development costs

2020	Acquired intellectual property rights £'000	Other intangible assets £'000	Software intangibles £'000	Development and recertification costs £'000	Total £'000
Cost					
At beginning of year	13,138	17,584	5,417	8,333	44,472
On acquisition	–	8,710	–	–	8,710
Additions	–	–	126	2,788	2,914
Exchange differences	610	(250)	86	81	527
At end of year	13,748	26,044	5,629	11,202	56,623
Amortisation					
At beginning of year	3,660	1,599	2,585	3,294	11,138
Charged in the year	132	2,137	563	533	3,365
Exchange differences	77	(49)	44	7	79
At end of year	3,869	3,687	3,192	3,834	14,582
Net book value					
At 31 December 2020	9,879	22,357	2,437	7,368	42,041
At 31 December 2019	9,478	15,985	2,832	5,039	33,334

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. Other intangible assets were recognised in 2019 on the acquisition of Sealantis Limited and represent technological based know-how and on the acquisition of Biomatlante which represent technological based know-how, patents and customer listings. Other intellectual property rights on acquisition in the year relate to technological based know-how and customer listings arising on the acquisition of Raleigh Coatings. See Note 31 for further information.

RESORBA® 'know-how' and GENTA-COLL® brand name are being amortised over ten and fifteen years respectively with one and six 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 £9,330,000. 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.

Intangible assets are amortised on a straight-line basis and the amortisation is recognised within administration costs.

2019	Acquired intellectual property rights £'000	Other intangible assets £'000	Software intangibles £'000	Development costs £'000	Total £'000
Cost					
At beginning of year	13,316	–	4,645	5,997	23,958
On acquisition	360	17,624	–	30	18,014
Additions	–	–	826	2,355	3,181
Disposals / impairment	–	–	(1)	–	(1)
Exchange differences	(538)	40	(53)	(49)	(680)
At end of year	13,138	17,584	5,417	8,333	44,472
Amortisation					
At beginning of year	3,643	–	2,097	2,793	8,533
Charged in the year	84	1,599	519	492	2,694
Disposals / impairment	–	–	(1)	–	(1)
Exchange differences	(67)	–	(30)	9	(88)
At end of year	3,660	1,599	2,585	3,294	11,138
Net book value					
At 31 December 2019	9,478	15,985	2,832	5,039	33,334
At 31 December 2018	9,673	–	2,548	3,204	15,425

Notes Forming Part of the Consolidated Financial Statements continued

17 Property, plant and equipment

2020	Freehold land, property and improvements £'000	Right-of-use assets £'000	Short leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost							
At beginning of year	5,785	12,496	113	30,117	922	995	50,428
On acquisition	–	645	–	584	3	–	1,232
Additions	6	1,876	–	2,300	40	–	4,222
Disposals	–	(141)	–	(54)	(21)	(353)	(569)
Exchange adjustment	241	155	–	273	18	42	729
At end of year	6,032	15,031	113	33,220	962	684	56,042
Depreciation							
At beginning of year	1,065	3,314	10	17,148	671	513	22,721
Provided for the year	191	1,266	–	1,843	92	75	3,467
Disposals	–	(141)	–	(29)	(21)	(247)	(438)
Exchange adjustment	64	35	–	84	13	32	228
At end of year	1,320	4,474	10	19,046	755	373	25,978
Net book value							
At 31 December 2020	4,712	10,557	103	14,174	207	311	30,064
At 31 December 2019	4,720	9,182	103	12,969	251	482	27,707

At 31 December 2020, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £414,000 (2019: £349,000).

The net book value of plant and equipment includes £83,000 within plant and machinery (2019: £103,000) of capitalised borrowing costs relating to the Winsford site.

2019	Freehold land, property and improvements £'000	Right-of-use assets £'000	Short leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost							
At beginning of year	5,962	12,285	12	27,917	894	1,146	48,216
On acquisition	–	407	101	66	21	–	595
Additions	41	198	–	2,411	23	–	2,673
Disposals	–	(300)	–	(130)	–	(102)	(532)
Exchange adjustment	(218)	(94)	–	(147)	(16)	(49)	(524)
At end of year	5,785	12,496	113	30,117	922	995	50,428
Depreciation							
At beginning of year	963	2,559	10	15,710	605	519	20,366
Provided for the year	152	1,068	–	1,732	77	125	3,154
Disposals	–	(300)	–	(130)	–	(102)	(532)
Exchange adjustment	(50)	(13)	–	(164)	(11)	(29)	(267)
At end of year	1,065	3,314	10	17,148	671	513	22,721
Net book value							
At 31 December 2019	4,720	9,182	103	12,969	251	482	27,707
At 31 December 2018	4,999	9,726	2	12,207	289	627	27,850

18 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon.

	Share-based payments £'000	Advanced capital allowances £'000	Intangible assets £'000	Research and Development Assets £'000	Other £'000	Total £'000
At 31 December 2018	1,077	(511)	(2,999)	(693)	31	(3,095)
Charge/(credit) to income	114	(186)	477	(314)	(134)	(43)
Credit to equity	(59)	–	–	–	–	(59)
Exchange adjustment	–	–	29	–	–	29
Acquisition of subsidiary	–	–	(3,145)	–	–	(3,145)
At 31 December 2019	1,132	(697)	(5,638)	(1,007)	(103)	(6,313)
Charge/(credit) to income	130	(177)	341	(248)	(179)	(133)
Credit to equity	(219)	(3)	–	–	–	(222)
Exchange adjustment	–	–	(144)	–	(14)	(158)
Acquisition of subsidiary	–	(55)	(1,655)	–	–	(1,710)
At 31 December 2020	1,043	(932)	(7,096)	(1,255)	(296)	(8,536)

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:

	2020 £'000	2019 £'000
Deferred tax liabilities	(8,536)	(6,409)
Deferred tax assets	–	96
	(8,536)	(6,313)

At the Statement of Financial Position date, the Group has approximately £9.8 million unused tax losses (2019: £8.8 million) relating to Biomatlante and Sealantis, available for offset against future profits. These have not been recognised in the Statement of financial Position as there is not currently sufficient evidence to prove that sufficient taxable profit will be available. The losses do not have time limits.

19 Goodwill

	2020 £'000	2019 £'000
Cost		
At 1 January	53,558	42,145
Acquisitions	13,170	13,542
Exchange differences	2,183	(2,129)
At 31 December	68,911	53,558

Three cash generating units (CGU) exist within the Surgical segment whereby goodwill has been allocated. CGU1 has goodwill and indefinite useful life intangible assets of £39.3 million and £9.3 million (2019: £37.2 million and £8.8 million) respectively. CGU2, which is in a pre-commercialisation stage, has goodwill of £9.2 million (2019: £9.6 million) and CGU3 has goodwill of £4.1 million (2019: £3.9 million).

Two cash generating units (CGU) exist within the Woundcare segment whereby goodwill has been allocated. CGU1 has goodwill of £3.0 million (2019: £2.9 million) and CGU2 has £13.2 million of goodwill (2019: £nil) arising on the acquisition of Raleigh Adhesive Coatings Limited on 23 November 2020.

Goodwill arose on the acquisition of Advanced Medical Solutions B.V. on 30 September 2009 and on the acquisition of RESORBA® on 22 December 2011. Additional goodwill arose on the acquisition of Sealantis Limited on 31 January 2019 and on the acquisition of Biomatlante SA on 30 November 2019.

Notes Forming Part of the Consolidated Financial Statements continued

19 Goodwill continued

The goodwill and intangible assets with indefinite useful economic life have been allocated to the relevant CGU based upon the underlying identification of operations and assets to which the goodwill and intangibles relate to, as follows:

At 31 December 2020	Assumed life of CGU (years)	Discount Rate	Average sales growth rate	Goodwill £'000	Intangible assets with indefinite useful life £'000	Total £'000
Surgical: CGU1	20	6.8%	6.8%	39,338	9,330	48,668
Surgical: CGU2	20	17.5%	53.2%	9,242	–	9,242
Surgical: CGU3	20	7.4%	6.4%	4,143	–	4,143
Woundcare: CGU1	20	6.6%	3.2%	3,018	–	3,018
Woundcare: CGU2	N/A	N/A	N/A	13,170	–	13,170
Consolidated				68,911	9,330	78,241

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

The recoverable amounts have been determined based on a value-in-use calculation on a cash generating unit basis, which uses cash flow projections based on financial budgets approved by the Directors covering a 12-month period. These budgets have been adjusted for specific risk factors that take into account sensitivities of the projection. With the exception of Surgical: CGU2, a pre-commercialisation venture, 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 17%, and with growth not exceeding the long-term average growth rate for the industry for years six to twenty. Using a forecasting period of 20 years is deemed reasonable given the nature of the products sold by the CGUs, the regulatory framework that competitors must also comply with and the established nature of the markets into which they are sold. The growth rate would have to fall significantly in order for an impairment to be required. A discount rate of between 6.6% and 7.4% per annum (2019: between 7.1% and 7.5%), being the Group's current pre-tax weighted average cost of capital adjusted for the risk of each CGU, has been applied to these cash flows, being an estimation of current market risks and the time value of money.

Surgical CGU2 is a pre-commercialisation venture and has high growth forecast in early years, contributing to an average sales growth rate of 53.2%. Its forecasts are made on the basis of a H1 2021 soft launch whilst further clinical evidence is built that will facilitate a full European Launch in 2022. It also has intellectual property in place protecting its products in certain markets for a number of years, supporting the Group's assumption that it will be able to penetrate the market with its products. A discount rate of 17.5% (2019: 22.5%) has been applied to the cash flows of Surgical: CGU2 to represent the pre-commercialisation stage of this venture, a reduction on the previous year reflecting the progress made with the regulatory environment.

Woundcare CGU2 was acquired in November 2020 and has performed in line with expectations, as such no impairment charge has been recognised, see Note 16 for details of the intangible assets arising on acquisition.

The Group has conducted a sensitivity analysis on the impairment test and for Surgical CGU1, Surgical CGU3 and Woundcare CGU1 as set out below. The changes required to key assumptions to generate an impairment charge within these CGUs are not considered to be reasonably possible changes and as such the assumptions are not considered to give rise to a key source of estimation uncertainty.

The cash flows used within the impairment model for Surgical CGU2, are based on assumptions which are key sources of estimation uncertainty and reasonably possible changes in these assumptions could lead to an impairment. Whilst the regulatory progress made in the last year reduces uncertainty, there is still inherent uncertainty in relation to the regulatory approval process, product launch date and the success of market penetration. In the event that sales growth and market penetration falls significantly below management's expectation, management has prepared sensitivity analysis to evaluate the potential impairment required. In the event of sales growth being in-line with management's expectations for years 2021 to 2025 and then sales growth being restricted to 5% in subsequent years from 2026 to 2040, an impairment to goodwill would arise of £4.8 million.

Sensitivity analysis conducted on each input independently has been prepared for all CGUs and the following inputs would eliminate headroom in the impairment assessments:

At 31 December 2020	Discount rate	Business continuity period (years)	Growth Rate
Surgical: CGU1	11.3%	15	2.8%
Surgical: CGU2	24.8%	11	27.2%
Surgical: CGU3	21.0%	8	-5.0%
Woundcare: CGU1	50.0%	3	-25.0%

20 Inventories

	2020 £'000	2019 £'000
Raw materials	8,585	7,333
Work in progress	5,879	3,866
Finished goods	6,561	6,456
	21,025	17,655

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

Included above are finished goods of £nil (2019: £nil) carried at net realisable value.

	2020 £'000	2019 £'000
Total gross inventories	23,060	19,068
Inventory impairment	(2,035)	(1,413)
Net inventory	21,025	17,655

The group performs a detailed assessment of all inventory and provisions are made for items identified as obsolete or slow moving.

21 Trade and other receivables

	2020 £'000	2019 £'000
Current assets		
Trade receivables	17,663	25,627
Other receivables	621	1,269
Derivative financial instruments	1,320	715
Prepayments and accrued income	1,503	1,610
	21,107	29,221
Non-current assets		
Derivative financial instruments	207	273
Prepayments and accrued income	157	258
	364	531
	2020 £'000	2019 £'000
Amount receivable for the sale of goods	17,859	25,788
Loss allowance	(196)	(161)
Net trade receivables	17,663	25,627

Notes Forming Part of the Consolidated Financial Statements continued

21 Trade and other receivables continued

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 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 loss allowance.

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.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery include, ageing of the debt past 180 days, unwillingness to engage in correspondence and insolvency events of the counterparty.

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

	2020 £'000	2019 £'000
31 to 60 days overdue	665	880
61 to 90 days overdue	740	215
> 90 days overdue	43	308
Total	1,448	1,403

Movement in loss allowance for trade receivables

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Balance at the beginning of the year	161	277
Impairment losses recognised	75	20
Amounts written off as uncollectable	(35)	(88)
Amounts recovered during the year	(5)	(48)
Balance at the end of the year	196	161

Analysis of customers

In the year ended 31 December 2020, no customer accounted for more than 10% of the Group's revenue (2019: one – 12% of revenue). No expected credit loss provision is believed to be required for other receivables and accrued income.

22 Cash and cash equivalents

	2020 £'000	2019 £'000
Cash held at banks	53,829	64,751

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of 90 days or less. The carrying amount of these assets is approximately equal to their fair value.

23 Trade and other payables

	2020 £'000	2019 £'000
Current liabilities		
Trade payables	6,791	7,402
Other payables	2,138	3,164
Derivative financial instruments	–	302
Lease liabilities	1,257	1,353
Accruals and deferred income	4,210	3,175
	14,396	15,396
Non-current liabilities		
Other payables	3,229	3,150
Bank loans	–	664
Lease liabilities	9,864	8,347
	13,093	12,161

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

Other payables principally comprise amounts due in respect of payroll taxes, pension costs and indirect taxes yet to be remitted.

Accruals and deferred income principally comprise amounts outstanding for trade purchases and ongoing costs but not yet invoiced and amounts received from customers but not yet recognised as revenue.

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 procedures in place to ensure that all payables are paid within the pre-agreed credit terms.

Bank loans at 31 December 2019 related to a number of loans acquired as part of the Biomatlante acquisition in the same year and were settled during the year ended 31 December 2020.

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 Trade and other receivables, Cash and cash equivalents and Derivative instruments in designated hedge accounting relationships, 'Financial Liabilities Measured at Amortised Cost' (trade and other payables and financial liabilities), 'Derivative Instruments in Designated Hedge Accounting Relationships' (cash flow hedges) and 'Fair Value Through Profit and Loss (FVTPL)' under IFRS 9 'Financial Instruments' and lease liabilities under IFRS 16 'Leases'.

Carrying value

	2020 £'000	2019 £'000
Financial assets		
Trade and other receivables	18,284	27,154
Cash and cash equivalents	53,829	64,751
Derivative instruments in designated hedge accounting relationships	1,527	988
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	–	302
Financial liabilities measured at amortised cost	9,310	14,816
Lease liabilities	11,121	9,700

Non-current liabilities arose on the acquisition of Sealantis in 2019 and relate to royalties payable and amounts due to the Israeli Innovation Authority.

Notes Forming Part of the Consolidated Financial Statements continued

24 Financial instruments continued

Royalties payable are based on future sales of existing products in development and are due until the end of 2027. The liability is calculated based on the net present value of future sales projections with a 17.5% discount rate applied. The discount rate used to calculate the liability is consistent with the discount rate used in the impairment assessment (see Note 19).

Amounts due to the Israeli Innovation Authority are payable based on future sales and subject to at least 10% of manufacturing being retained in Israel. The Group expects to continue to perform at least 10% of manufacturing in Israel of the relevant products. The liability is calculated based on the net present value of future sales projections with a 7.7% discount rate applied on the basis that the liability does not expire until the liability is settled. The change in the valuation of the liabilities, which occurs as the liability unwinds and sales projections are updated, are recognised in finance costs (see Note 12).

In December 2019 the Group entered into a multi-currency facility with the NatWest Bank PLC and HSBC UK Bank PLC. 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 and the 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 would currently be 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 covenants continue to apply in the event that the facility is undrawn.

The Risk Management section on pages 46 to 49 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 finance lease liabilities 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
At 31 December 2020						
Trade and other payables	13,139	71	763	2,396	16,368	N/A
Lease liabilities	1,257	1,088	2,920	5,856	11,121	N/A
Bank loans	–	–	–	–	–	N/A
	14,396	1,159	3,683	8,252	27,489	
At 31 December 2019						
Trade and other payables	14,043	139	1,154	1,857	17,193	N/A
Lease liabilities	1,353	909	1,545	5,893	9,700	N/A
Bank loans	–	133	531	–	664	2.56%
	15,396	1,181	3,230	7,750	27,557	

The Group enters lease arrangements to acquire right-of-use assets, predominately relating to premises from which the Group operates, vehicles and office equipment. Material leases include the lease of the Group's headquarters, factory and distribution centre in Winsford, UK and a factory in Etten-Leur, the Netherlands.

The Winsford leases were entered into in 2017 and expire in 2032. They have a total lease liability net present value of £7.6 million (2019: £8.1 million) and attract increases at five year intervals linked to market rate. The incremental borrowing rate is 4%.

The Etten-Leur lease was entered into in 2020 and expires in 2033 and has a lease liability net present value of £ 2.1 million (2019: £0.7 million). Rent increases are indexed linked on an annual basis. The incremental borrowing rate is 0.62%.

(b) Interest rate and currency of financial assets

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

	Floating £'000	Non-interest bearing £'000	Total £'000
Currency			
Sterling	36,399	11,165	47,564
US Dollar	371	1,004	1,375
Euro	3,018	1,758	4,776
Israeli Shekel	–	114	114
At 31 December 2020	39,788	14,041	53,829

	Floating £'000	Non-interest bearing £'000	Total £'000
Currency			
Sterling	54,926	6,786	61,712
US Dollar	317	276	593
Euro	1,974	384	2,358
Israeli Shekel	–	88	88
At 31 December 2019	57,217	7,534	64,751

Trade and other receivables

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

	2020 £'000	2019 £'000
Sterling	10,308	10,703
US Dollar	7,253	13,449
Euro	3,878	5,555
Israeli Shekel	32	45
	21,471	29,752

The financial assets all mature within one year. Credit risk is discussed in Note 21.

(c) Currency exposures

At 31 December 2020, the Group had unhedged US Dollar currency exposures of £nil (2019: £nil) and unhedged Euro currency exposures of £nil (2019: £nil).

Risk sensitivity

The Group's interest rate risk is not considered to be a significant risk.

The Group estimates that a 10% movement in the £:US\$ or £:Euro exchange rate would have impacted 2020 Sterling revenues by approximately 2.8% and 3.4% respectively and in the absence of any hedging this would have had an impact on profit margin as a percentage of revenue by 2.2% and 0.1%.

Notes Forming Part of the Consolidated Financial Statements continued

24 Financial instruments continued**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	
	2020 USD:£1	2019 USD:£1	2020 USD '000	2019 USD '000	2020 £'000	2019 £'000
Cash flow hedges						
Sell US dollars						
Less than 3 months	1.30	1.386	8,000	9,000	312	(307)
3 to 6 months	1.30	1.328	6,500	8,000	235	(5)
7 to 12 months	1.27	1.271	14,000	17,500	805	615
Over 12 months	1.31	1.301	6,000	12,500	205	262
			34,500	47,000	1,557	565

Outstanding contracts	Average exchange rate		Foreign currency		Fair value	
	2020 EUR:£1	2019 EUR:£1	2020 EUR '000	2019 EUR '000	2020 £'000	2019 £'000
Sell Euros						
Less than 3 months	1.15	1.125	600	620	(16)	23
3 to 6 months	1.14	1.143	600	1,200	(16)	25
7 to 12 months	1.11	1.112	1,200	1,500	(1)	61
Over 12 months	1.10	1.144	600	1,200	2	12
			3,000	4,520	(30)	121

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 (2019: £nil) in respect of FVTPL contracts. The gain of £842,000 (2019: £3,091,000 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

The Group uses the average of exchange rates prevailing during the period to translate the results and cash flows of overseas subsidiaries into Sterling and period end rates to translate the net assets of those entities. The currencies which most influence these translations and the relevant exchange rates were:

Currency	Average rate		Closing rate		Percentage change	
	2020	2019	2020	2019	Average %	Closing %
US Dollar	1.284	1.275	1.365	1.320	1	3
Euro	1.130	1.138	1.112	1.175	(1)	(5)

27 Share capital

Number of Ordinary Shares of 5p each	Allotted, called up and fully paid '000
At 1 January 2019	213,473
Share capital allotted for share schemes	1,417
At 31 December 2019	214,890
Share capital allotted for share schemes	493
At 31 December 2020	215,383

At the Statement of Financial Position date, 403,239 (2019: 420,270) shares are retained by the Trust to meet the matching requirements of the scheme. For further information on the Share option plans, see Note 29.

Ordinary Shares of 5p each	Allotted, called up and fully paid £'000
At 1 January 2019	10,674
Share capital allotted for share schemes	71
At 31 December 2019	10,745
Share capital allotted for share schemes	24
At 31 December 2020	10,769

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 are recognised in profit or loss only when the hedged transaction impacts the profit or loss or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Translation reserve

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

A £3,507,000 gain has been recorded in the translation reserve during the period, which would otherwise have been recognised in Administration costs (2019: £3,538,000 loss) if hedge accounting had not been adopted.

Notes Forming Part of the Consolidated Financial Statements continued

29 Share-based payments

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

	2020 £'000	2019 £'000
Unapproved Executive Share Option Scheme, Enterprise Management Incentive Scheme and Company Share Option Scheme	253	265
Long-Term Incentive Plan	705	748
Deferred Share Bonus Scheme and Deferred Annual Bonus Scheme	653	843
	1,611	1,856

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	15/04/2011	08/09/2011	26/04/2013	15/04/2014	19/09/2014	02/04/2015
Share price at grant date	88.0p	86.25p	77.5p	115.75p	121.75p	132.0p
Exercise price	88.0p	86.25p	77.5p	115.75p	121.75p	132.0p
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	1.92%	1.92%	0.36%	0.80%	0.80%	0.80%
Expected volatility	18%	18%	36%	36%	36%	31%
Expected dividend yield	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Fair value of options	9p	9p	15p	23p	24p	22p

Grant Date	18/04/2016	06/04/2017	13/04/2018	24/04/2019	14/04/2020	25/09/2020
Share price at grant date	184.6p	246.7p	308.0p	328.75p	239.0p	214.5p
Exercise price	184.6p	246.7p	308.0p	328.75p	239.0p	214.5p
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	0.67%	0.18%	0.94%	0.75%	0.08%	0.08%
Expected volatility	25%	23%	34%	26%	36%	36%
Expected dividend yield	0.4%	0.4%	0.7%	0.4%	0.6%	0.6%
Fair value of options	25p	29p	41p	48p	46p	42p

Under the terms of the Company's Share Option Schemes, approved by shareholders in 2019, 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. Individuals who are entitled to awards under the LTIP are not 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.

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

Options have been granted over the following number of Ordinary Shares which were outstanding at 31 December 2020:

Date of grant	Option price (p)	Number of options as at 1 January 2020	Remaining life (years) 1 January 2020	Issued	Lapsed	Exercised	Number of options as at 31 December 2020	Remaining life (years) 31 December 2020
Unapproved Executive Share Option Scheme								
15.04.14	115.75	106,000	4.3	–	–	(4,000)	102,000	3.3
19.09.14	121.75	28,000	4.7	–	–	–	28,000	3.7
02.04.15	132.00	80,000	5.2	–	–	–	80,000	4.2
18.04.16	184.60	192,284	6.3	–	–	(25,293)	166,991	5.3
06.04.17	246.70	451,097	7.3	–	(24,036)	–	427,061	6.3
13.04.18	308.00	349,021	8.3	–	–	–	349,021	7.3
24.04.19	328.75	500,730	9.3	–	(115,874)	–	384,856	8.3
14.04.20	239.00	–	–	837,027	(67,000)	–	770,027	9.3
25.09.20	214.50	–	–	34,872	–	–	34,872	9.7
Enterprise Management Incentive Scheme								
16.04.10	42.00	15,000	0.3	–	–	(15,000)	–	
Company Share Option Plan								
15.04.11	88.00	6,000	1.3	–	–	–	6,000	0.3
08.09.11	86.25	1,000	1.7	–	–	–	1,000	0.7
26.04.13	77.50	1,000	3.3	–	–	–	1,000	2.3
15.04.14	115.75	19,220	4.3	–	–	(6,220)	13,000	3.3
02.04.15	132.00	12,727	5.2	–	–	–	12,727	4.2
18.04.16	184.60	66,798	6.3	–	–	–	66,798	5.3
06.04.17	246.70	193,047	7.3	–	(6,715)	–	186,332	6.3
13.04.18	308.00	129,781	8.3	–	–	–	129,781	7.3
24.04.19	328.75	157,341	9.3	–	(31,461)	–	125,880	8.3
14.04.20	239.00	–	–	273,992	(8,000)	–	265,992	9.3
		2,309,046		1,145,891	(253,086)	(50,513)	3,151,338	

The weighted average remaining contractual life of the options outstanding at 31 December 2020 is 7.5 years (2019: 8.2 years).

The weighted average exercise price of options exercised in the year was £2.42 (2019: £3.15).

	2020	2019
	Number of Options	Number of Options
Outstanding at beginning of the year	2,309,046	2,436,596
Issued	1,145,891	692,778
Exercised	(50,513)	(635,285)
Lapsed	(253,086)	(185,043)
Outstanding at end of the year	3,151,338	2,309,046
Exercisable at end of the year	1,090,909	528,029

Notes Forming Part of the Consolidated Financial Statements continued

29 Share-based payments continued**Long Term Incentive Plan (LTIP)**

The fair value of the LTIP options 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
Share price at grant date	117.0p	132.0p	151.5p	184.6p	246.7p
Exercise price	0p	0p	0p	0p	0p
Expected life	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk free rate	0.80%	0.80%	0.67%	0.67%	0.18%
Expected volatility	36%	29%	27%	25%	23%
Expected dividend yield	0.7%	0.7%	0.4%	0.4%	0.4%
Probability of performance conditions	75%	80%	80%	64%	64%
Fair value of option	85.9p	64.4p	75.5p	159.0p	220.0p

Grant date	02/11/2017	13/04/2018	24/04/2019	14/04/2020	25/09/2020
Share price at grant date	344.7p	306.8p	328.75p	239.0p	214.5p
Exercise price	0p	0p	0p	0p	0p
Expected life	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk free rate	0.18%	0.94%	0.75%	0.08%	0.08%
Expected volatility	23%	25%	26%	36%	36%
Expected dividend yield	0.4%	0.4%	0.4%	0.6%	0.6%
Probability of performance conditions	64%	72%	50%	62%	62%
Fair value of option	220.0p	264.0p	297.0p	217.0p	185.0p

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 71. 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 2020	Remaining life 1 January 2020	Issued	Lapsed	Exercised	Number of LTIPs at 31 December 2020	Remaining life 31 December 2020
Long-Term Incentive Plan								
06.06.14	117.00	38,450	4.4	–	–	–	38,450	3.4
02.04.15	132.00	99,270	5.2	–	–	–	99,270	4.2
10.09.15	151.50	146,939	5.7	–	–	–	146,939	4.7
18.04.16	184.60	228,308	6.3	–	–	(10,230)	218,078	5.3
06.04.17	246.70	459,855	7.3	–	(120,526)	(174,110)	165,219	6.3
02.11.17	344.70	9,308	7.8	–	(7,112)	–	2,196	6.8
13.04.18	308.00	364,645	8.3	–	–	(3,306)	361,339	7.3
24.04.19	328.75	437,469	9.3	–	–	–	437,469	8.3
14.04.20	239.00	–	–	629,910	–	–	629,910	9.3
25.09.20	214.50	–	–	22,476	–	–	22,476	9.7
		1,784,244		652,386	(127,638)	(187,646)	2,121,346	

The weighted average exercise price of the Long-Term Incentive Plan in the year was £2.35 (2019: £3.24).

The weighted average remaining contractual life of the LTIPs outstanding at 31 December 2020 is 7.4 years (2019: 7.5 years).

	Number of Options 2020	Number of Options 2019
Outstanding at beginning of the year	1,784,244	1,863,065
Issued	652,386	437,469
Exercised	(187,646)	(452,661)
Lapsed	(127,638)	(63,629)
Outstanding at end of the year	2,121,346	1,784,244
Exercisable at end of the year	670,152	512,967

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

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	02/07/2013
Share price at grant date	18.25p	35.50p	34.00p	40.32p	83.00p	70.625p	74.125p
Exercise price	0p	0p	0p	0p	0p	0p	0p
Expected life	3.5 yrs	3.5 yrs	3 yrs	5 yrs	5 yrs	5 yrs	5 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk-free rate	5.00%	5.00%	2.40%	2.40%	1.92%	0.39%	0.69%
Expected volatility	27%	38%	30%	34%	18%	34%	36%
Expected dividend yield	0%	0%	0%	0%	0.7%	0.7%	0.7%
Probability of performance conditions	100%	100%	100%	100%	100%	100%	100%
Fair value of option	14p	30p	72p	61p	72p	61p	63p

Grant date	30/04/2014	29/04/2015	03/05/2016	02/05/2017	13/04/2018	29/04/2019	05/05/2020	16/11/2020
Share price at grant date	126.0p	141.5p	183.0p	264.1p	306.8p	328.75p	244.97p	218.4p
Exercise price	0p	0p	0p	0p	0p	0p	0p	0p
Expected life	5 yrs	5 yrs	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	10 yrs	10 yrs
Risk-free rate	0.80%	0.80%	0.67%	0.18%	0.94%	0.75%	0.08%	0.08%
Expected volatility	36%	31%	25%	23%	25%	26%	36%	36%
Expected dividend yield	0.7%	0.7%	0.4%	0.4%	0.4%	0.4%	0.6%	0.6%
Probability of performance conditions	100%	100%	100%	100%	100%	100%	100%	100%
Fair value of option	110p	124p	160p	233p	266p	296p	253p	190p

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 70.

Notes Forming Part of the Consolidated Financial Statements continued

29 Share-based payments continued**Deferred Share Bonus Scheme (DSB) continued**

Date of grant	Market price at date of grant (p)	Number of DSB matching shares at 1 January 2020	Issued	Lapsed	Exercised	Number of DSB matching shares at 31 December 2020
Deferred Share Bonus Plan						
12.04.07	18.25	6,759	–	–	–	6,759
02.05.08	35.50	13,640	–	–	(4,225)	9,415
23.04.09	34.00	18,365	–	–	(2,868)	15,497
05.05.10	40.32	16,120	–	–	(3,720)	12,400
11.05.11	83.00	8,005	–	–	(4,468)	3,537
10.05.12	70.63	10,562	–	–	(1,900)	8,662
02.07.13	74.13	97,556	–	–	(47,588)	49,968
30.04.14	126.00	84,773	–	–	(41,417)	43,356
29.04.15	141.50	117,416	–	–	(24,893)	92,523
03.05.16	183.00	292,336	–	–	(158,489)	133,847
02.05.17	264.10	253,004	–	(13,937)	(66,681)	172,386
13.04.18	306.77	135,863	–	(13,567)	–	122,296
29.04.19	328.75	251,378	–	(6,127)	(4,820)	240,431
05.05.20	244.97	–	364,468	(4,530)	(2,202)	357,736
16.11.20	218.40	–	97,219	–	–	97,219
		1,305,777	461,687	(38,161)	(363,271)	1,366,032

The weighted average exercise price of the Deferred Share Bonus Plan in the year was £2.39 (2019: £3.17).

	Number of Options 2020	Number of Options 2019
Outstanding at beginning of the year	1,305,777	1,286,244
Issued	461,687	275,800
Exercised	(363,271)	(221,582)
Lapsed	(38,161)	(34,685)
Outstanding at end of the year	1,366,032	1,305,777
Exercisable at end of year	548,350	665,532

The exercise price of the matching shares is £nil.

Deferred Annual Bonus Scheme (DAB)

The fair value of the DAB options 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	24/04/2019
Share price at grant date	115.4p	129.0p	184.6p	246.7p	308.0p	328.75p
Exercise price	0p	0p	0p	0p	0p	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%	0.67%	0.18%	0.94%	0.75%
Expected volatility	31%	31%	25%	23%	25%	26%
Expected dividend yield	0.7%	0.7%	0.4%	0.4%	0.4%	0.4%
Probability of performance conditions	100%	100%	100%	100%	100%	100%
Fair value of option	115p	129p	183p	250p	308p	329p

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.

Date of grant	Market price at date of grant (p)	Number of DAB matching shares at 1 January 2020	Remaining life (years) 1 January 2020	Issued	Lapsed	Exercised	Number of DAB matching shares at 31 December 2020	Remaining life (years) 31 December 2020
Deferred Annual Bonus Plan								
21.05.2014	115.40	520	4.3	–	–	–	520	3.3
15.04.2015	129.00	12,393	5.3	–	–	(6,298)	6,095	4.3
18.04.2016	184.60	18,466	6.3	–	–	(12,495)	5,971	5.3
06.04.2017	246.70	64,886	7.3	–	–	(27,930)	36,956	6.3
13.04.2018	308.00	63,037	8.3	–	–	–	63,037	7.3
24.04.2019	328.75	36,721	9.3	–	–	–	36,721	8.3
		196,023		–	–	(46,723)	149,300	

As no bonus was awarded in 2020, no Deferred Annual Bonus have arisen.

The weighted average exercise price of the Deferred Annual Bonus Plan options in the year was £2.45 (2019: £3.30).

The weighted average remaining contractual life of the Deferred Annual Bonus Plan options outstanding at 31 December 2020 is 7.1 years (2019: 7.8).

	Number of Options 2020	Number of Options 2019
Outstanding at beginning of the year	196,023	239,178
Issued	–	36,721
Exercised	(46,723)	(79,876)
Lapsed	–	–
Outstanding at end of the year	149,300	196,023
Exercisable at end of year	49,542	31,379

30 Related party transactions

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

Notes Forming Part of the Consolidated Financial Statements continued

31 Acquisition of Raleigh

On 23 November 2020 the Group acquired the entire issued share capital of Raleigh Adhesive Coatings Limited, a UK-based woundcare and bio-diagnostics coatings business. In the year ended 31 December 2020, Raleigh contributed £0.7 million revenue to the Group and had an operating profit of £0.1 million. In addition, amortisation of intangible assets of £0.1 million was recorded within the Group as a result of the acquisition. Had Raleigh been part of the Group since 1 January 2020, it would have contributed £6.4 million of revenue and £0.4 million of operating profit.

	£'000
Identifiable net assets acquired	
Technology-based Intangible assets	1,320
Customer related intangible assets	7,390
Property, plant and equipment	587
Finance lease assets	645
Trade and other receivables	1,999
Inventory	1,009
Cash and cash equivalents	76
Corporation tax debtor	54
Trade and other payables	(1,891)
Lease liabilities	(646)
Deferred Tax	(1,713)
Goodwill	13,170
Total net assets acquired	22,000
Satisfied by	£'000
Cash consideration	22,000
Net cash flow on acquisition	£'000
Cash consideration	22,000
Cash acquired	(76)
	21,924

None of the goodwill on the acquisition is expected to be deductible for income tax. See Note 19 for the allocation of goodwill to CGUs.

32 Events after reporting period

There have been no material events subsequent to the end of the reporting period ended 31 December 2020.

Company Statement of Financial Position

At 31 December 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Investments in subsidiaries	3	58,017	58,017
Loans and other financial assets		123	255
		58,140	58,272
Current assets			
Trade and other receivables	4	46,871	24,723
Cash and cash equivalents		46,880	59,043
		93,751	83,766
Current liabilities			
Trade and other payables	5	(5,995)	(7,838)
Net current assets		87,631	75,928
Net assets		145,896	134,200
Equity shareholders' funds			
Share capital	6	10,769	10,745
Share premium		36,288	36,226
Share-based payments reserve		11,142	9,466
Investment in own shares		(162)	(159)
Retained earnings		87,859	77,922
Equity attributable to equity holders of the parent		145,896	134,200

The Company reported a net profit for the year ended 31 December 2020 of £13.3 million (2019: £13.8 million).

The Financial Statements of Advanced Medical Solutions Group plc (registration number 2867684) on pages 133 to 139 were approved by the Board of Directors and authorised for issue on 12 April 2021 and were signed on its behalf by:

Chris Meredith
Chief Executive Officer

Company Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital £'000	Share-based payments £'000	Investment in own shares £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2019	10,674	7,333	(156)	35,192	67,164	120,207
Share-based payments	–	1,856	–	–	–	1,856
Share options exercised	71	277	–	1,034	–	1,382
Shares purchased by EBT	–	–	(603)	–	–	(603)
Shares sold by EBT	–	–	600	–	–	600
Total comprehensive income	–	–	–	–	13,766	13,766
Dividends paid	–	–	–	–	(3,008)	(3,008)
At 31 December 2019	10,745	9,466	(159)	36,226	77,922	134,200
Share-based payments	–	1,611	–	–	–	1,611
Share options exercised	24	65	–	62	–	151
Shares purchased by EBT	–	–	(542)	–	–	(542)
Shares sold by EBT	–	–	539	–	–	539
Total comprehensive income	–	–	–	–	13,274	13,274
Dividends paid	–	–	–	–	(3,337)	(3,337)
At 31 December 2020	10,769	11,142	(162)	36,288	87,859	145,896

Notes to the Company Financial Statements

Year ended 31 December 2020

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, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

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

Investments and receivables 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 Income Statement for the period.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

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.

Notes to the Company Financial Statements continued

Year ended 31 December 2020

1 Significant accounting policies continued**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 de-recognised when the contractual rights to the cash flows from the financial assets expire or are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expires.

Derivatives

The Company uses derivative financial instruments to hedge its exposure to currency 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 2020 of £13,274,000 (2019: Profit of £13,766,000).

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 (2019: 16), all of whom were classified as Administration (2019: same). The Directors' remuneration is detailed in Note 9 to the Consolidated Financial Statements.

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Staff costs for all employees, including Executive Directors, consists of:		
Wages and salaries	2,155	1,400
Social Security costs	168	553
Pension costs	89	86
Share-based payments (see Note 29 to the Consolidated Financial Statements)	1,611	1,856
	4,023	3,894

3 Investments in subsidiaries

	Investments in subsidiaries £'000
Cost	
At 1 January 2020	86,687
At 31 December 2020	86,687
Provisions for impairment	
At 1 January 2020	28,670
At 31 December 2020	28,670
Net Book value	
At 31 December 2020	58,017
At 31 December 2019	58,017

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

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

Name	Country of operation	Proportion of voting rights and Ordinary Share capital held	Nature of business	Registered address
Advanced Medical Solutions Limited	England	100%	Development and manufacture of medical products	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
Advanced Medical Solutions (UK) Limited	England	100%	Holding Company	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
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%	Dormant	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

Notes to the Company Financial Statements continued

Year ended 31 December 2020

Name	Country of operation	Proportion of voting rights and Ordinary Share capital held	Nature of business	Registered address
Innovative Technologies Limited	England	100%‡	Dormant	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
Raleigh Adhesive Coatings 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 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
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 Israel (Sealantis) Limited	Israel	100%*	Development and manufacture of medical products	Malat Building, Technion City, Haifa, Israel 3200004
Biomatlante S.A	France	100%	Development and manufacture of medical products	5, Rue Edouard Belin, 44360 Vigneux de Bretagne, France
MPN Medizin Produkte Neustadt GmbH	Germany	100%#	Manufacture of medical products	Sierkdorfer Str. 15, 23730, Neustadt in Holstein, Germany
Advanced Medical Solutions (USA) Inc	USA	100%*	Marketing support of medical products	2711 Centerville Road, Suite 400, Wilmington, Newcastle, 19808, Delaware, USA
Advanced Medical Solutions (Europe) Limited	England	100%	Providing financial support to other Group entities	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom

* Held indirectly through Advanced Medical Solutions Limited.

‡ Held indirectly through MedLogic Global Holdings Limited.

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

Held indirectly through Advanced Medical Solutions (Germany) GmbH.

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

4 Trade and other receivables

	2020 £'000	2019 £'000
<i>Due within one year</i>		
Prepayments and accrued income	287	179
Amounts due from Group undertakings	46,584	24,423
Derivative financial instruments	–	121
	46,871	24,723

	2020 £'000	2019 £'000
Amounts Owed by Group undertakings		
At 1 January	26,763	5,234
Movement	22,161	21,529
At 31 December	48,924	26,763
Provisions for impairment		
At 1 January	2,340	2,340
At 31 December	2,340	2,340
Net book value		
At 31 December	46,584	24,423

5 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Amounts owed to Group undertakings	4,823	6,232
Accruals and deferred income	1,172	1,606
	5,995	7,838

6 Share capital

Details on the share capital of the Company are provided in Note 27 on page 125 in the Notes to the Group's accounts.

7 Share-based payments

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

	2020 £'000	2019 £'000
Unapproved Executive Share Option Scheme, Enterprise Management Incentive Scheme and Company Share Option Scheme	253	265
Long-Term Incentive Plan	705	748
Deferred Share Bonus Scheme	653	843
	1,611	1,856

Details of the share-based payments of the Company are provided in Note 29 on pages 126 to 131 in the Notes to the Group's accounts.

Five Year Summary

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Consolidated Income Statement					
Revenue	86.8	102.4	102.6	96.9	82.6
Profit from operations (Pre-exceptional)	11.6	25.3	28.9	25.2	19.1
Profit attributable to equity holders of the parent (Pre-exceptional)	9.4	20.0	22.9	20.1	15.7
Basic earnings per share (Pre-exceptional)	4.4p	9.3p	10.7p	9.5p	7.5p
Consolidated Statement of Financial Position					
<i>Net assets employed</i>					
Non-current assets	141.4	115.2	86.0	84.5	70.1
Current assets	97.2	111.8	119.2	94.5	74.9
Total liabilities	(36.4)	(35.7)	(32.5)	(26.7)	(19.5)
Net assets	202.2	191.3	172.7	152.3	125.5
<i>Shareholders' equity</i>					
Share capital & investment in own shares	10.6	10.6	10.5	10.5	10.4
Share-based payments reserve	11.1	9.5	7.3	4.7	3.5
Share-based payments deferred tax reserve	0.4	0.6	0.7	0.8	0.4
Share premium account	36.3	36.2	35.2	34.8	34.0
Other reserve	1.5	1.5	1.5	1.5	1.5
Hedging reserve	1.2	0.6	(2.4)	0.6	(3.5)
Translation reserve	3.3	(0.2)	3.3	2.8	0.6
Retained equity	137.7	132.5	116.6	96.6	78.6
Equity attributable to equity holders of the parent	202.2	191.3	172.7	152.3	125.5

The five year summary is presented with IFRS16 – Leases, taking effect from 1 January 2018. Assets and liabilities prior to this point are presented under IAS17 – Leases.

Alternative Performance Measures

The Group's performance is assessed using a number of financial measures which are not defined under IFRS and are therefore non-GAAP (or alternative) performance measures. These are set out as follows:

- Adjusted profit measures are believed by the Directors to enable a reader to obtain a fuller understanding of underlying performance since they exclude items which are not reflective of the normal course of business. Adjusted profit before tax is shown before exceptional items which were £0.8 million (2019: £1.1 million), amortisation of acquired intangible assets which was £2.3 million (2019: £1.7 million) and change in long-term liability expense of £0.2 million (2019: credit of £0.3 million) as reconciled in the Financial Review (see page 45).
- Adjusted operating margin is shown before exceptional items and amortisation of acquired intangible assets as reconciled in the Financial Review (see page 45).
- Margin percentages (which are calculated by dividing the relevant profit figure by revenue) for each of the relevant profit metrics provide management with an insight into relative year-on-year performance.
- Adjusted earnings per share measures are derived from adjusted profit after tax with the rationale for their use being the same as for adjusted profit metrics and are reconciled to their IFRS equivalent in Note 15 to the consolidated financial statements.
- Adjusted net cash inflow from operating activities are derived from excluding items which are not reflective of the normal course of business with the rationale for their use being the same as for adjusted profit metrics as reconciled in the Financial Review (see page 45).

Further information regarding the profit adjusting items can be found in the Notes to the Group Financial Statements:

- Exceptional items (Note 6).
- Amortisation of acquired intangible assets which was (Note 16).
- Change in long-term liabilities expense (Note 12).

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