Advanced Medical Solutions Group plc

Annual Report & Accounts 2021

Recovery & Optimism

About AMS

Advanced Medical Solutions Group plc is a world-leading specialist in tissue-healing technologies.

Our Mission: To develop.
To make a real difference.
To add value.

Contents

Highlights

Group revenue (£ million)

£108.6m

2020: £86.8m Change: +25% (+29% at constant currency[1])
2019: £102.4m

Diluted earnings per share (p)

8.01p

2020: 3.94p Change: +103%
2019: 8.72p

Adjusted[2] profit before tax (%)

23.6%

2020: 15.4% Change: +8.2pp
2019: 26.0%

Profit before tax (%)

20.2%

2020: 11.6% Change: +8.6pp
2019: 23.7%

Adjusted[2] diluted earnings per share (p)

9.66p

2020: 5.44p Change: +78%
2019: 9.83p

Net operating cash flow (£ million)

£31.0m

2020: £21.5m Change: +44%
2019: £21.7m

Profit before tax (£ million)

£22.0m

2020: £10.1m Change: +118%
2019: £24.3m

Net cash[3] (£ million)

£73.0m

2020: £53.8m Change: +36%
2019: £64.1m

Adjusted[2] profit before tax (£ million)

£25.6m

2020: £13.4m Change: +92%
2019: £26.6m

AMS is pleased to report strong financial performance in line with expectations and significant regulatory and clinical progress as it continues to invest in its portfolio of next-generation products.

Proposed full-year dividend per share (p)

1.95p

2020: 1.70p Change: +15%
2019: 1.55p

Financial

- Strong performances across all key product categories and territories as volumes rebuild towards pre-pandemic levels.
- Investment in R&D increased to £9.3 million (2020: £7.9 million), representing 8.6% of revenues, progressing key projects.
- Surgical Business Unit revenues increased to £64.6 million (2020: £50.2 million).
- Woundcare Business Unit revenues increased to £44.0 million (2020: £36.6 million).
- Global LiquiBand® sales increased to £33.1 million (2020: £22.8 million), with especially strong growth in the US.

Operational

- Seal-G® and Seal-G® MIST clinical study progressing well with approximately 25% of patients recruited. Final results on track for H2 2022 to be used to market the technology during full commercial launch.
- Recruitment for the LiquiBandFIX8® US clinical trial completed and the Premarket Approval (PMA) filing remains on track for 2022.
- Submitted 510(k) for innovative high gelling product with anti-biofilm activity which is on track for a US launch at the end of 2022.

Post-period end

- Signed an agreement to acquire AFS Medical GmbH ('AFS'), an Austrian based distributor of minimally invasive surgical devices, strengthening our direct surgical sales footprint and capabilities.
- Deal expected to complete in mid-2022 subject to regulatory clearance.
- The Group is reviewing activities in the small legacy sales office in Moscow that has historically contributed approx. 1% of operating profit.

1 Constant currency removes the effect of currency movements by re-translating the current year's performance at the previous year's exchange rates.
2 Adjusted profit before tax is shown before exceptional items which were £nil (2020: £0.8 million, 2019: £1.1 million), amortisation of acquired intangible assets which was £3.2 million (2020: £2.3 million, 2019: £1.7 million) and long-term liability expense of £0.4 million (2020: £0.2 million, 2019: credit of £0.3 million) as defined in the Financial Review. Adjusted operating margin is shown before exceptional items and amortisation of acquired intangible assets.
3 Net cash is defined as cash and cash equivalents plus short term investments less bank loans and financial liabilities excluding those relating to IFRS16.
* For further information on Alternative Performance Measures see page 139.

Our Business Model

Our Mission

To develop. To make a real difference. To add value.

Achieved through Our Value Chain

Research and new product development

Research and development.
Design and testing.

8.6%
of sales invested in R&D

Regulatory approval

Approvals for new products and new territories.

Maintain approvals for existing products/markets.

3
new product launches

Routes to market

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

>100
distribution partners

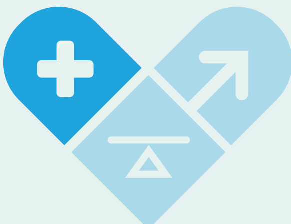
Operations

Manufacturing.
Security of supply.
Supply chain resilience.
Quality assurance.

9
locations of specialist, manufacturing facilities

For information see **Our Supply Chain** on **page 29**

Underpinned by Our Values



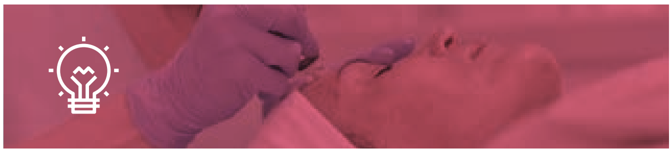
Care

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

Our Strategic Pillars

Growth

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



Innovation

Strengthening our portfolio by developing or acquiring market-leading, high quality products and investing in people to deliver innovation.

Operational Excellence

Continuously improving our operations to drive out cost and improve margin, focus on what our customers need and value and minimise operational risk.

Culture

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

For information see **Our Strategy** on **pages 10 and 11**

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 and Environment
Involvement in our Communities and minimising our Environmental impact.

Our Supply Chain
Strong, mutually beneficial relationships with our Supply Chain.

For information on **Our Stakeholders** see **pages 26 to 29**

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.

Why Invest in AMS

AMS is committed to innovation and investment in Research and Development to deliver significant long-term sustainable growth.

Innovative products

Globally recognised brands focused on tissue-healing technologies with increasing investment in R&D creating better outcomes for clinicians and patients, multiple growth drivers and recurring revenues.

Our expanding portfolio of innovative tissue-healing products has been established through increased investment in our specialist R&D hubs and acquisitions. This has created a range of complementary growth drivers with high values of recurring revenues and strong gross margins. In 2021, we incurred £9.3 million of gross R&D spend, representing 8.6% of sales (2020: £7.9 million, 9.1% of sales).

Our balanced range of products reduces our reliance on any single market and helps to ensure a more consistent Group performance.

12.8%

Sales from products launched in the previous five years

12.2%

Sales CAGR[1] over 10 years

1 Compound Annual Growth Rate

See **Our Strategy in action** on **pages 12 to 19**

Quality manufacturing

Extensive manufacturing capabilities and regulatory expertise enables effective access to markets and sustains a reliable and consistent supply of high quality, high margin products.

AMS manufactures nearly all of the products that we market in nine multi-national locations that together provide a broad range of facilities and processes. Each site specialises in specific technologies and the technical expertise, lean manufacturing practices and quality processes that allow us to deliver excellent customer service to a broad range of customers, including market leaders in the field.

Ongoing significant investment in regulatory processes enables us to comply with increasing levels of regulatory requirements such as the Medical Device Regulation (MDR).

56.2%

Gross margin

88%

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

See **Operating reviews** on **pages 22 to 25**

Commercial flexibility

Our flexible distribution strategy encompasses selling through our own direct sales teams as well as through a global network of distributors and marketing partners to enable effective access to the major global healthcare markets.

AMS' commercial success is based on the flexibility to select the optimum route to market for each product. We have successfully penetrated the US surgical market with a hybrid model, using four key distribution partners, supported by our own specialist sales team.

In some key European markets, including the UK and Germany, we maintain a direct sales presence in surgical markets while in other territories we use an established network of distributors. Our Woundcare portfolio is marketed largely through Original Equipment Manufacturer (OEM) partners, although our ActivHeal® range is becoming increasingly successful in a number of territories.

84

Countries sold into

33.8%

US sales as % of Group

See **Operating reviews** on **pages 22 to 25**

Strong financials

A robust balance sheet and strong cash generation enables us to invest in long-term growth opportunities and leverage our business model further through internal innovation and a targeted acquisition strategy.

Our track record of cash generation, a cash position of £73 million at December 2021 and an £80 million undrawn, unsecured debt facility enables the Group to continually leverage its business model. Significant investment in R&D ensures a strong pipeline of new products that can broaden our portfolio. We constantly seek out strategically aligned acquisitions that can expand our technology base, increase our manufacturing capability and enhance our distribution coverage.

Consequently, we feel confident that we can sustain robust, long-term top-line growth, ahead of the market rate, increase our profitability and maximise returns for our shareholders.

£31.0m

Net operating cashflow

23.6%

Group adjusted profit margin

See **KPIs** on **pages 20 to 21**

The Group recovered well in 2021 and we are optimistic about our growth prospects

Chris Meredith, Chief Executive Officer

Group revenue

£108.6m
+25%
(+29% at constant currency[1])

Adjusted[2] profit before tax

£25.6m
+92%

I am delighted with AMS' financial performance in 2021 which reflects our recovery, the strength of our product portfolio, the quality of our staff and partners, the flexibility of our commercial network and the commitment of clinicians to use our tissue-healing technologies.

Q How do you assess Group performance in 2021?

A The Group performed extremely well, with strong growth reported across all key product categories and territories as we made good commercial progress. Levels of elective surgery and wound treatment volumes both continued to rebuild towards pre-pandemic levels. Revenue increased to £108.6 million (2020: £86.8 million) which represents an increase of 29% on a constant currency basis.

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

2 Adjusted profit before tax is shown before exceptional items which were £nil (2020: £0.8 million, 2019: £1.1 million), amortisation of acquired intangible assets which was £3.2 million (2020: £2.3 million, 2019: £1.7 million) and long-term liability expense of £0.4 million (2020: £0.2 million, 2019: credit of £0.3 million) as defined in the Financial Review. Adjusted operating margin is shown before exceptional items and amortisation of acquired intangible assets.

Chief Executive's Q&A continued

A focus on R&D...

Q **How is the product pipeline progressing?**

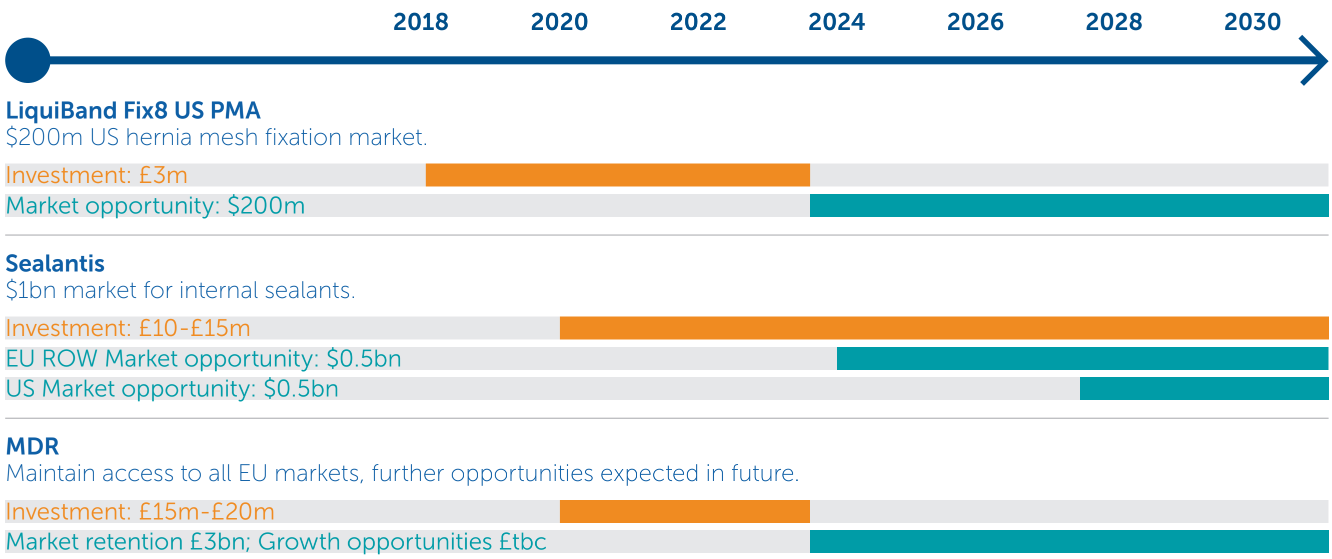
A Significantly increased R&D investment in recent years has created a product pipeline that we believe is stronger than ever and creates a platform for near-term growth. LiquiBandFIX8® in the US and Seal-G® are two high profile opportunities, with other meaningful US launches expected in the near future including dental collagens, dermal repair scaffold and antimicrobial anti-biofilm dressings. Recent launches such as Silver High Performance and Silicone PHMB dressings are also expected to deliver significant revenue.

Q **How did the Group's key clinical projects progress during the year?**

A The Seal-G® and Seal-G® MIST clinical study continues to progress well with more than 25% of patients recruited. The final results are on track to be released in H2 2022 when they will be used to market the technology during the full commercial launch. As previously reported, recruitment for the US clinical trial of LiquiBandFIX8® has now been completed and the Premarket Approval (PMA) filing remains on track for 2022, once all patients have completed their 12-month follow up.

> Positioned for further growth with a promising pipeline of next-generation products.

Investments in major projects



A focus on Vision and Mission

Q **How are you engaging with employees on Vision, Mission and Objectives?**

A Based on feedback from our annual employee engagement survey, we have spent time with our employees to clarify and improve understanding of our Vision, Mission and Objectives and have cascaded this through the business. We believe that our employees are our biggest asset and constantly strive to improve our engagement with them. Strengthening and communicating our Vision (see right) and Mission (see page 7) will drive long-term sustainable growth.

Our Vision

A world where the outcome of every patient can benefit from our products and a company where every employee feels invested and valued.

Q How did COVID-19 impact the business in 2021 and early 2022?

A The return of elective surgery volumes towards pre-pandemic levels in 2021 helped the Group to deliver strong growth in revenue, profitability and cash generation. In 2022, the Omicron variant is causing health staff shortages in some of our markets but to date it appears that AMS will experience a much shorter and less severe impact than in previous peaks of the pandemic.

Q What progress did AMS make towards the Medical Device Regulation in 2021?

A AMS obtained its first Medical Device Regulation (MDR) certificates in 2021, well ahead of the 2024 deadline. We continue to invest heavily to comply with the extensive requirements on product safety and performance, clinical evaluation and post-market clinical evidence. Further submissions and approvals are anticipated in 2022 and management is confident that we are well placed for the opportunities that will inevitably arise in Europe during the MDR implementation.

Q How is the Group coping with Brexit and the global supply chain crisis?

A Whilst AMS did not suffer any impact following the Brexit transition period, we did experience some disruption from the global supply chain crisis. This is expected to continue well into 2022. In addition to the resulting cost inflation, we have seen instances where delayed deliveries from our material suppliers have resulted in longer timelines to fulfil some customer orders. We continue to monitor the situation and are striving to hold higher levels of critical materials.

Q How is the M&A strategy progressing?

A The Group continues to actively seek acquisitions that deliver additional value for shareholders and meet the criteria of being accretive businesses with strong R&D and manufacturing capabilities and/or that have products or customers that offer effective commercial synergies. The agreement to acquire AFS in March 2022, subject to regulatory clearances, underlines the strategy to expand our direct surgical sales footprint and capability whilst the acquisition of Raleigh in 2020 demonstrates our intention to increase our woundcare capabilities and commercial potential.

Q How are you developing your ESG strategy?

A We have made strong progress on ESG, establishing a Steering Committee to manage activities and developing an ESG Framework. Our strategy focuses on our environmental impact, well-being of our employees, equality, diversity and inclusion, and strengthening corporate governance, internally and across our supply chain, to meet ever increasing customer requirements. Our progress reaffirms the commitment to being a good corporate citizen. Further details can be found in our ESG Report on pages 32 to 43.

Q What is the outlook for 2022 and beyond?

A Trading has started well in the new year, even though the pandemic continues to present challenges, and I remain confident that our commitment to innovation, investment in R&D and the expansion of our distribution network will deliver significant and robust long-term growth.

Chris Meredith
Chief Executive Officer
14 April 2022

Our Mission Statement

AMS is committed **to the development** of products and people that **make a real difference** to the societies we live in, to the patients our products help heal and to the customers and stakeholders we serve every day. We continuously strive **to add value** in every task we perform, every role we fulfil and in every project we undertake.

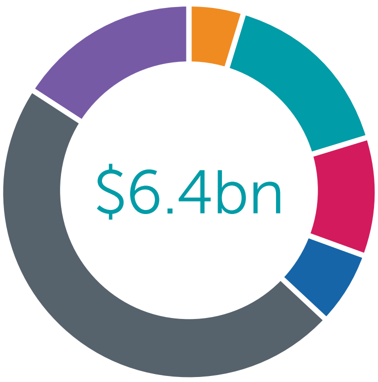
- **To develop.**
- **To make a real difference.**
- **To add value.**

Market and Business Overview

We develop tissue-healing technologies in the global tissue-healing markets, which are driven by increasingly ageing populations and innovative technology.

Surgical

The surgical market addressable by our products is estimated to be worth approximately $6.4bn[1] globally with historic Compound Annual Growth Rates (CAGRs) of between 0% and 8%.



$0.3bn – Tissue Adhesives – LiquiBand®
$1bn – Biosurgical Devices – Collagens/other haemostatic devices
$0.65bn – Biosurgical Devices – Bone substitutes
$0.4bn – Internal Fixation – LiquiBandFIX8®
$3bn – Sutures – RESORBA®
$1bn – Internal Sealants – Seal-G®/Seal-G® MIST

Tissue Adhesives – LiquiBand®

LiquiBand® is AMS' most successful product range having gained over 20% of end-volumes in the US market. The brand recovered well in 2021, supported by the recent launch of LiquiBand® Rapid. The launch of LiquiBand® XL (large wounds) expected in H2 2022 should unlock further hospital conversions.

Additional expansion in EU, APAC and LATAM region, continues to support growth for the brand.

Biosurgical Devices – Collagens

AMS competes within the $1bn collagen/other haemostatic devices market, specifically targeting the surgical and dental collagen segments. New approvals for antibiotic surgical dressings help to drive growth in Europe, while the Group is working towards its first collagen approval in the US, with a 510(k) submission expected in H1 2023 for a dental application.

Biosurgical Devices – Bone substitutes

The Group's range of Bi-phasic Tri-calcium phosphate products address the $650m ceramics segment of the synthetic bone substitute market. Leveraging the recently acquired portfolio and a renewed focus on spinal surgery is supporting growth through Biomatlante.

Internal Fixation – LiquiBandFIX8®

AMS' LiquiBandFIX8® brand enables entry to the hernia mesh fixation market, removing the need for staples or tacks, which reduces pain and recovery time. Ongoing rollout of the product in Europe and a US launch in 2023 is expected to drive long-term growth.

Sutures – RESORBA®

The Group targets a subset of the much larger $3bn global suture market with a direct market presence in Germany and the UK, while supplying customers in specialist applications.

Internal Sealants – Seal-G®/Seal-G® MIST

The CE mark of Seal-G®/Seal-G® MIST in 2021 enables entry into the EU portion of the $1bn market of GI Tract sealants. Data from an ongoing clinical trial is expected in H2 2022, with a full European launch to follow.

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

$6.4bn
Global Surgical market

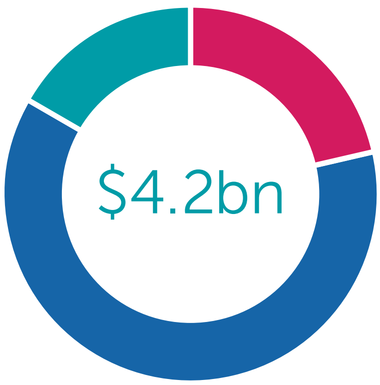
0-8%
Surgical product CAGRs **(estimate of annual market growth rates)**

$4.2bn
Global Advanced Woundcare market

0-5%
Woundcare product CAGRs **(estimate of annual market growth rates)**

Woundcare

The global Advanced Woundcare market is worth approximately $4.2bn with historic product CAGRs estimated to be between 0-5%. AMS competes in this market with its expertise focused on foam and fibre-based materials. The estimated value of these segments are summarised below.



$0.9bn – Infection Management
$2.6bn – Exudate Management
$0.7bn – Other Woundcare

Infection Management
AMS' antimicrobial range targets the market for foam and fibre dressings that are used to treat hard to heal wounds that are at risk of infection. The Group sustains a competitive edge through innovation, such as using its silver and Polyhexamethylene Biguanide (PHMB) technology and its new antimicrobial high gelling product with anti-biofilm activity, expected to be launched in 2022.

Exudate Management
AMS specialises in fibre and foam dressings that target the part of this market which optimise the healing environment and enhance tissue-healing without the use of anti-infective agents. Innovation is set to support growth and includes an entry into the negative pressure market and a new US regulatory submission for a woundcare skin-scaffold in 2022.

Other Woundcare
The global market of other products in the treatment of hard to heal wounds.

ActivHeal®
A branded range of Exudate Management and Infection Management products that are marketed in the UK and other markets.

Our Strategy

AMS is committed to the long-term, sustainable development of products and people that make a real difference to the societies we live in, to the patients our products help to heal and to the customers and stakeholders we serve every day.

Our Strategic Pillars driving future success

Growth

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

Priorities

Delighting our customers and executing sales and marketing strategies that maximise success.

Continually improving systems, products and processes to deliver business excellence.

Progress

Strong growth in US LiquiBand® with record levels of end-user sales volumes.

Launched LiquiBand® XL into the UK with the EU and the US to follow in early 2022 and mid-2022 respectively.

Completed US Fix8® IDE enrolment with filing expected in 2022.

Delivered approvals and launches of Surgical products and line extensions in multiple territories.

Expanded ActivHeal® into APAC, Gulf States and Africa.

Progressed the operational and commercial synergies arising from the 2020 acquisition of Raleigh Coatings.

Group-wide clinical plan to support MDR certifications with approvals achieved in 2021.

Key KPIs

Revenue movement.
Earnings per share.

See **pages 20 to 21**

Risks

Lack of growth, poor ROI from R&D or acquisitions, failure to deliver against forecast.

See **pages 47 to 51**

Innovation

Strengthening our portfolio by developing or acquiring market leading high-quality products and investing in people to deliver innovation.

Priorities

Creating products and services which delight our customers.

Delivering at least three new products into the market annually which satisfy an unmet customer need.

Progress

Gained Seal-G® MIST CE approval: open device approved to include colourant. Commenced clinical trial and pilot launch with first sales.

Launched RESORBA® Bone branded product into six new EU countries.

Voice of customer and market research initiatives for LiquiBandFIX8® and LiquiBand® XL platforms gained better insight in to surgical usage, perceptions, pricing and expectations.

Invested in in-house cell culture laboratory to support entry into Bio-engineered Skin Substitutes market for ex-vivo and cell proliferation testing, and creation of skin healing models.

Developed dermal repair scaffold for skin substitute market.

Key Opinion Leaders (KOLs): focus groups, advisory panel solicited market feedback to inform early stage innovation project selection.

Key KPIs

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

See **pages 20 to 21**

Risks

Poor ROI from R&D or acquisitions, weak talent management, regulatory risk.

See **pages 47 to 51**

Our Mission:

To develop.
To make a real difference.
To add value.

Operational Excellence

Continuously improving our operations to drive out cost, improve margin, focus on what our customers need and value and minimise operational risk.

Priorities

Consistently supply high-quality products with a high level of customer service via an optimised and agile supply chain.

Keeping our critical products and sites fully compliant and meeting all required market standards.

Delivering a culture of continuous improvement.

Progress

Delivered 3.7% cost reduction projects across sites despite global supply chain pressures and Brexit.

Managed COVID-19 safe environment with continued strong safety performance (2021 Accident Incident Rate (AIR) Score of 1.7 (2020: 2.8)).

Further embedded our Electronic Quality Management System (eQMS) across multiple sites.

Implementation of key investments delivering capacity, cost reduction and reducing business risk.

Continuous improvement activities resolved process issues to improve our yields.

Implemented forecasting tool to improve forecast accuracy and process.

Successful integration of Raleigh operations with collaboration across other Woundcare sites.

Successful MDR Audits across Plymouth and Winsford sites.

Key KPIs

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

See **pages 20 to 21**

Risks

Continued supply chain/cost Inflation impact, vulnerability to single source supply, weak talent management, poor acquisition integration.

See **pages 47 to 51**

Culture

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

Priorities

Creating a high performance culture by investing in people.

Developing leaders who can manage transformational change in a culturally diverse environment.

Focused action on training and improvements identified through employee engagement.

Progress

Drew on our Care, Fair, Dare values to help manage our way through COVID-19.

Developed ESG Framework and launched an ESG Steering Committee to manage and embed ESG across the Group.

Launched employee engagement tool, allowing communication and actions to build engagement with tracking throughout the year.

Utilised Apprenticeship levy to support 18 employees in continuing professional development.

Rolled out Diversity and Inclusion training across the business.

Introduced Altogether AMS as our branded forum to focus on inclusivity.

Further implemented the Management Development Programme.

Invested in a platform to manage candidates electronically through the recruitment process with an ability to reach international job boards to attract high quality talent into our business.

Key KPIs

Employee attrition.
Employee Engagement Score.

See **pages 20 to 21**

Risks

Weak talent management, insufficient progress on ESG and climate change, poor acquisition integration, impact of Russia/Ukraine conflict.

See **pages 47 to 51**

Strategy in Action

Exploiting opportunities

from multiple routes to market

> We 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 market-leading competitors.

Growth

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

Growth in action in 2021 – US LiquiBand® is a strong story of recovery

The US is a key market for LiquiBand®. Sales were particularly strong, driven by increased market demand, the launch of LiquiBand® Rapid, a refocused marketing strategy and partner inventory replenishment. We achieved record end-user sales and overall sales of £22.4m, an increase of 72% at constant currency.

Optimism for the future of LiquiBand®

We expect the 510(k) approval for LiquiBand® XL to be granted in H1 2022 as we work to submit responses to the FDA's final questions. This approval will provide us with the portfolio we need for further penetration into the US market. Internationally, we grew total LiquiBand® sales by 53% including a launch in India which had been a long-term strategic target due to the population size, developing healthcare provision and growing middle-class. LiquiBand® is positioned for further growth in the future.

How we are going to achieve our Growth ambitions moving forward:

- Expand our global footprint effectively and efficiently, prioritising opportunities with high ROI and probability of success and increasing the market share of our high-quality products that deliver improved performance and value for money versus competitors.
- Achieve product approvals in new geographies, leveraging our regulatory expertise to take advantage of higher barriers to entry and expanding capabilities for faster US registrations.
- Provide value-added support to our global partners to expand claims and clinical evidence for success, exploiting best in class implementation support and developing five-year development plans.
- Expand and offer comprehensive portfolios around product centres and technologies.
- Offer commercial flexibility to capitalise on a range of market opportunities at various stages of the product value stream, building brand strategy into product launches.
- Embed health economics mindset into our commercial and support activities.
- Identify and deliver strategically aligned acquisitions providing surgical product synergies or routes to market, or woundcare technologies to leverage our customer base.
- Grow acquisitions, delivering on multiple growth opportunities and exploit the inherent commercial, operational and regulatory synergies.

Strategy in Action

Innovative products

by investing in R&D through our five hubs

> 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.

Innovation

Developing or acquiring high-quality products provides the opportunity for expansion into new markets. We expect to develop and market intuitive products that provide more effective, efficient and safer experiences for surgeons and patients. We invest in developing talent capable of delivering innovation for the business.

Innovation in action in 2021 – As our markets show signs of recovery, we continue to invest

As our markets continued to recover and elective surgery and wound treatment volumes continued to rebuild towards pre-pandemic levels, it is important we are prepared and are making clinical progress by investing in our portfolio of next-generation products. Investment in R&D increased to £9.3 million (2020: £7.9 million), representing 8.6% of revenues, as progress continued across key projects throughout the Group.

Optimism for the future for our products and pipeline

We are well positioned for further growth with a promising pipeline of next-generation products. The Seal-G® and Seal-G® MIST clinical study is progressing well. The final results are on track to be released in H2 2022 after which they will be used to market the technology during the full commercial launch. Recruitment for the US clinical trial of LiquiBandFIX8® has now been completed and the Premarket Approval (PMA) filing remains on track for 2022. Our Innovation has also led to a number of other new product launches such as Silver HPD and new approval submissions such as a CMC PHMB (510(k) submitted in 2021) and Bio-Regen (510(k) submission expected in 2022). We will make significant further investment in R&D and Innovation in 2022.

How we are going to achieve our Innovation ambitions moving forward:

- Develop and engage Clinical Advisory Boards.
- Expand relationships with Key Opinion Leader panels to provide expert input into the innovation process and exchange information to ensure our innovation output meets clinical needs.
- Partnering with strategic customers to understand their needs earlier in the process and influence our development focus.
- Establish Centres of Excellence for Innovation and ensure resources and ideas from across the Group are better utilised.
- Create differentiated products that have fewer complications and provide more effective experiences for both clinician and patient.
- Improve New Product Development (NPD) process with greater surgeon involvement and market analysis.
- Exploit technology for continuous improvement and iterative innovation.
- Invest and focus our people and processes in light of increasing global regulatory and clinical requirements. Centralising resources to drive innovation and best practice while streamlining processes to maximise output and utilise knowledge and learnings from acquisitions.

Strategy in Action

Continuous improvement

with our high quality product portfolio

> Through a strategy that begins with focusing on what our customers need and value, we will pursue a culture of continuous improvement to enable lower operational risk, lower operating costs, and increased revenues.

Operational Excellence

Operational Excellence is focused on delivering a culture of continuously improving operations to drive out cost and improve margin while consistently supplying high-quality products through an optimised, agile and adaptable supply chain. We excel when we work together.

Operational Excellence in action in 2021 – Supply chain resilience was critical to our **recovery**

We successfully maintained supply of product to our patients, clinicians and partners, successfully completed audits and devoted significant efforts to supplier engagement. We worked with our suppliers and the rest of our supply chain resulting in an OTIF ('On-Time-In-Full') of 88% despite the impact of COVID-19 and Brexit being significantly higher than the last non-COVID-19 impacted year (2019: 80%, 2020: 89%). These results were even more impressive when considering the integration of Raleigh and the significant volume increase against 2020, enabling us to meet customer expectations.

Optimism that we are prepared for the future

The foundations are in place for the future with our manufacturing expansion and culture of continuous improvement to drive future growth with a strong pipeline of products. As we plan for full scale manufacturing of Seal-G, US LiquiBandFIX8® volumes and ongoing LiquiBand® growth, we have commenced the development of our Plymouth facility. Construction started in 2022 at an estimated cost of £2 to £3 million over a two-year period. Our resilient supply chain, clinical projects, increased investment and focus on R&D forms the basis for future growth.

How we are going to achieve our Operational Excellence ambitions moving forward:

- 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.
- Deliver efficient supply chains with appropriate capacity and high levels of reliability and repeatability, optimised inventory and high levels of customer service, with customer satisfaction scores improving year-over-year.
- Focus on our Product Development Process through right first time product approval, delivering improved speed to market.
- Deliver improved capability for effective project priorities, resourcing and execution.
- Maintain regulatory certification of products with clear strategy on Notified Bodies and audit readiness at all sites.
- Ensuring we have the right organisation and people to drive success while developing our current processes and capabilities to grow and add value to our customer base.

Strategy in Action

Our employees

are our greatest asset and drive the success of AMS

> We are focused on our Care, Fair, Dare values and to creating a high performance culture by engaging with and investing in people.

Culture

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

Culture in action in 2021 – Adapted our Culture during recovery from COVID-19

In 2021 we applied our Care, Fair, Dare values to continue to manage our way through COVID-19 and launched an employee engagement tool to better understand the needs of our employees. As our employees are our greatest asset we have supported them with flexible working arrangements and a focus on their mental wellbeing. Our ESG Framework has helped guide a number of key cultural activities and the ESG Steering Committee has started to embed ESG across the Group.

Evolving our Mission, Vision and ESG framework for a future we are optimistic about

In response to feedback from our employee engagement survey, we have refreshed our Mission, Vision and Objectives. These have been communicated out through employee forums to ensure they are fully understood. We will continue to evolve our culture and policies moving forward. This will be positively impacted by the embedding of our ESG Framework and Principles, details of which can be found on pages 33 and 37.

How we are going to achieve our Culture ambitions moving forward:

Achieving a positive culture in our business by focusing on Care, Fair, Dare and implementing our six-point plan:

- Talent attraction: We require highly skilled teams to bring innovative products to market ahead of our competition. We are committed to diversity and attracting the right talent with appropriate remuneration and benefits.
- Talent management: Developing and retaining talent allows us to build skills for a culture of innovation and to retain knowledge.
- ESG: Our Principles and Framework will allow us to focus on key areas which will make AMS a place where employees are proud to work.
- Values and behaviours: Care, Fair, Dare provides a cultural framework to support how we interact and achieve success.
- 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.

Key Performance Indicators

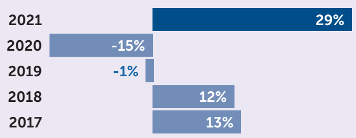
Measuring success

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

Financial KPIs

Revenue movement at constant currency[1] %

+29%



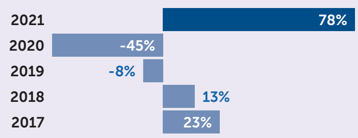
Definition
Net revenue adjusted for movement in constant currency[1].

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

Progress made in the year
Revenue increased to £108.6 million (2020: £86.8 million) with strong performances reported across all key product categories and territories as levels of elective surgery and wound treatment volumes continued to rebuild towards pre-pandemic levels. This represents an increase of 25% on a reported and 29% on a constant currency basis.

Adjusted[2] diluted earnings per share (EPS) movement %

+78%



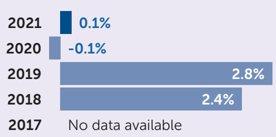
Definition
Movement in adjusted[2] diluted EPS achieved in the year.

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
Adjusted diluted earnings per share increased by 78% to 9.66p (2020: 5.44p) reflecting the Group's increased earnings as increased sales volumes, mainly caused by COVID-19 recovery, drove significant improvements in operational leverage and operating margins.

Year-over-year change of our average standard cost[3] %

+0.1%



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

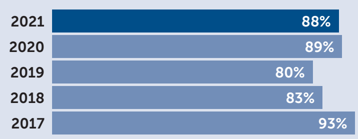
Strategic linkage
Continued improvements in cost reduction demonstrate the successful execution of our strategy and are important for the sustainability of the Group.

Progress made in the year
The standard cost base increased by 0.1% in 2021 (2020: decrease of 0.1%) as operational leverage was impacted by volumes that were still somewhat deflated due to COVID-19 and cost improvement activities were offset by significant inflationary pressures. For 2022, we are targeting operational cost improvements of 4% to minimise the impact of inflationary pressures.

Non-Financial KPIs

Customer Service (OTIF) %

88%



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
Despite delivering on our systems and business process commitments in 2021, our group OTIF performance was 88% (2020: 89%).

This result was largely driven by a strong recovery in customer demand, whilst in parallel we experienced global raw material supply disruptions with many of our key suppliers, predominantly due to COVID-19. For 2022 OTIF will remain a focus and will see us target greater than 92%.

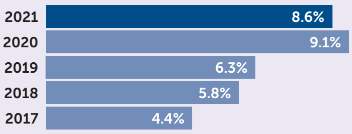
1 Constant currency removes the effect of currency movements by re-translating the current year's performance at the previous year's exchange rates.
2 Certain financial measures, including adjusted results above, are not defined under IFRS and are alternative performance measures as described on page 131.
3 Change 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 and Innovation

8.6%



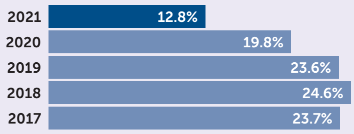
Definition
Spend on R&D, Innovation and Regulatory Affairs as a % of sales in the financial year.

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
Investment in R&D increased to £9.3 million (2020: £7.9 million), representing 8.6% of revenues (2020: 9.1%), as progress continued across key projects throughout the Group.

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

12.8%



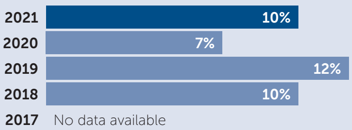
Definition
This is a measure of the % of sales the Group is generating from products launched in the prior five years.

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
12.8% of 2021 sales were from new products (2020: 19.8%). This measure temporarily reduced due to the impact of COVID-19, while new large scale products such as LiquiBand® XL, LiquiBandFIX8™ in the US and Seal-G® are developed and prepared for launch.

Employee attrition %

10%



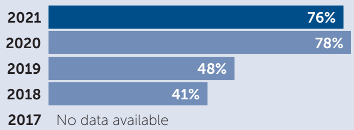
Definition
The % of employees who have left the Group during the year (gross number of leavers).

Strategic linkage
Low levels of employee turnover are important 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
The increase in attrition this year, as economies opened up post COVID-19 was 10% (2020: 7%). This level is considered acceptable and the business aims to continue to pro-actively work with employees to retain quality talent.

Employee Engagement Score %

76%



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 productivity and happiness, leading to higher retention.

Progress made in the year
The engagement score in 2021 decreased by 2% to 76% (2020: 78%). Participation in the survey increased to 69% (2020: 45%), providing a broader range of employees views. In 2021 we also improved our Employee Engagement Survey to use Culture Amp software which allows us to benchmark our engagement with other companies. Based on the external benchmark our engagement score for neutral or positive employees is 83%.

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 under the AMS brands LiquiBand®, RESORBA®, LiquiBandFIX8® and Seal-G®.

The recovery of global elective surgery volumes continued throughout 2021 supporting significant revenue growth in the year. Revenue increased by 29% in the period to £64.6 million (2020: £50.2 million) and by 34% on a constant currency basis.

Advanced Closure

LiquiBand® is a range of topical skin adhesives, incorporating medical grade cyanoacrylate in combination with purpose-built applicators. These products are used to close and protect a broad variety of surgical and traumatic wounds.

Revenues increased to £33.1 million (2020: £22.8 million), representing strong growth of 46% on a reported basis and 53% on a constant currency basis. This was achieved despite restricted access to hospitals, for both our direct sales teams and those of our distribution partners, which impacted our ability to win new business.

US LiquiBand® sales were particularly strong, up 60% with record high end sales volumes, driven by increased market demand and the replenishment of inventory at our marketing partners that had been reduced in 2020. The availability of LiquiBand® Rapid, our new accelerated Topical Skin Adhesive technology, and a refocusing of the marketing strategy also helped to support the performance of this product group. AMS expects the 510(k) approval for LiquiBand®XL to be granted in the first half of 2022 as it responds to the FDA's final questions.

LiquiBand® sales in the UK and Germany also recovered strongly as underlying demand for the product returned while the rollout of LiquiBand® Rapid during the year continued to strengthen the brand's market position. Following successful pilots with Key Opinion Leaders, LiquiBand® XL was launched into the UK in late 2021 and the EU launch will follow in the first half of 2022. Approvals for LiquiBand® XL have also recently been granted in New Zealand and Australia with launch planning underway in both markets. Surgeon feedback from this large wound product continues to be very positive.

Surgical Business Unit

	2021 £ million	2020 £ million	Reported change	Change at constant currency
Advanced Closure	33.1	22.8	46%	53%
Internal Fixation and Sealants	2.6	2.1	23%	24%
Traditional Closure	14.9	13.0	15%	18%
Biosurgical Devices	14.0	12.3	14%	17%
TOTAL	64.6	50.2	29%	34%

Advanced Closure

	2021 £ million	2020 £ million	Reported change	Change at constant currency
Americas	22.4	13.9	60%	72%
UK/Germany	6.3	5.0	27%	28%
ROW	4.5	3.9	16%	17%
TOTAL	33.1	22.8	46%	53%

Leverage of the LiquiBand® brand also continues in the Rest of the World with initial sales to the Group's new Indian partner in the period and further new LiquiBand® territories expected to follow in 2022 and beyond.

Internal Fixation and Sealants

LiquiBandFIX8® is used to fix hernia meshes placed inside the body with accurately delivered individual drops of cyanoacrylate adhesive, instead of traditional tacks and staples. Revenues increased by 23% on a reported basis and 24% on a constant currency basis to £2.6 million (2020: £2.1 million). Demand continued to improve, although it remains heavily suppressed in comparison to pre-pandemic levels, reflecting the non-essential nature of the majority of hernia surgery. We expect to further increase penetration in existing markets, utilising the combined experience of our sales team and, following its acquisition, the AFS sales team.

AMS continues to prepare the US Premarket Approval (PMA) for LiquiBandFIX8® now that recruitment into the clinical trial is complete. The Group still anticipates that the PMA filing will be finalised in the second half of 2022 once the 12-month patient follow-up is complete and continues to believe that US approval and launch of this product will be a significant milestone for the Group.

Seal-G® MIST (laparoscopic surgery) and Seal-G® (open surgery) are novel, internal, biological sealants used to seal tissue during gastrointestinal surgery to reduce bleeding and leakage of fluid. As previously announced, AMS obtained CE mark for both of these products in the first half of 2021. Since then, the first human clinical trial with the technology has begun with approximately 25% of patients recruited to date. With an additional five trial sites now recruiting patients, results are expected to be released in H2 2022.

The Group does not anticipate significant revenues until it can start to market the clinical trial results as part of the full European launch. Key Opinion Leader feedback continues to be very positive and AMS remains confident that the device is a good solution to the high unmet patient need for an effective GI sealant.

Traditional Closure

RESORBA® branded absorbable and non-absorbable suture ranges are used in general surgery and a wide range of surgical specialties including dental and ophthalmic surgery. Revenue increased by 15% to £14.9 million and by 18% at constant currency (2020: £13.0 million).

We continue to make small additions to our comprehensive range of sutures and to look for growth opportunities in existing and new territories.

Image above:
1. Surgical product range

Biosurgical Devices

The Biosurgical Devices category comprises antibiotic-loaded collagen sponges, collagen membranes and cones, oxidised cellulose, synthetic bone substitutes and bio-absorbable screws. Revenues increased by 14% to £14.0 million (2020: £12.3 million) and by 17% at constant currency.

Demand for collagen and bone-substitutes increased during the year as elective procedures started to return towards normal levels. Dental and orthopaedic surgical procedures continued to be significantly affected and slower to recover following the restrictions caused by COVID-19. This is reflected in the sales of these products.

Antibiotic-loaded collagens, used to locally deliver antibiotics, remain an important part of AMS' biosurgical portfolio. The company has extended the CE mark for Gentamycin until 2024 under the Medical Devices Directive (MDD) while it progresses the work required for Medical Device Regulation (MDR) approval.

The Group is working towards its first collagen approval in the US with 510(k) submission expected in H1 2023 for a dental application to support haemostasis and healing following tooth extraction.

The RESORBA® branded bone substitutes range was sold into six new EU countries in 2021 following its initial launch in 2020 with more territories to follow in 2022.

The Group has been assessing approval options for its newly developed freeze-dried bone substitute (FDBS), which can be mixed with fluids and moulded for optimal placement in orthopaedic and spine surgery. In response to the changing regulatory environment in Europe and the US, AMS has decided to modify its strategy to pursue wider, more commercially attractive claims in the long-term, rather than apply for more limited, specific applications in the short-term. Consequently, more development and regulatory work will be required before this technology can be commercialised.

Operating Review Woundcare Business Unit

Investment in developing next-generation products and geographical expansion.

Woundcare Business Unit

The Woundcare Business Unit is comprised of the Group's multi-product portfolio of advanced woundcare dressings sold under its partners' brands and the ActivHeal® label, plus a portfolio of specialist medical bulk materials including multi-layer woundcare and bio diagnostics products following the acquisition of Raleigh Coatings in late 2020.

Global wound treatment volumes continue to recover towards pre-pandemic levels in 2021 and helped to drive growth in the Woundcare Business Unit. Revenue increased by 20% in the period to £44.0 million (2020: £36.6 million) and by 23% on a constant currency basis. A healthy order book is in place heading into 2022 suggesting that a level of confidence is returning in many markets.

Infection Management

The infection management category comprises advanced woundcare dressings that incorporate antimicrobials such as Silver and Polyhexamethylene Biguanide (PHMB). Revenue reduced by 1% on a reported basis but increased by 1% on a constant currency basis to £15.1 million (2020: £15.3 million).

Sales were impacted by the renegotiation of a long-standing commercial agreement for one of the Group's novel silver alginates, which resulted in there being no orders for this product in H1 2021. Sales restarted in H2 2021 but at a lower level than in previous years. The new five-year contract agreement is non-exclusive, allowing AMS to promote the product directly in most markets and the Group has already made progress in gaining new business with this product.

In the first half of 2021, AMS obtained enhanced anti-microbial 510(k) approval for its patent-protected Silver High Performance Dressing. This product is now being sold via two US partners and into a number of ActivHeal® territories whilst discussions continue with other interested partners.

Good progress has been made in the development of AMS' innovative antimicrobial high gelling product with anti-biofilm activity. The 510(k) submission has now been made to the FDA and US approval and launch is anticipated at the end of 2022.

The Group's Silicone PHMB foam range, which provides high efficacy and sustained performance, was CE mark approved in 2020, is now being sold into the EMEA region and is expected to launch with a US partner and multiple APAC distributors in 2022.

Woundcare Business Unit

	2021 £ million	2020 £ million	Reported change	Change at constant currency
Infection Management	15.1	15.3	-1%	1%
Exudate Management	21.7	15.4	41%	43%
Other Woundcare	7.2	5.9	22%	28%
TOTAL	44.0	36.6	20%	23%

Exudate Management

Exudate Management comprises advanced woundcare dressings and gels which do not incorporate any antimicrobial elements. Revenue increased by 41% on a reported basis and 43% on a constant currency basis to £21.7 million (2020: £15.4 million) which incorporated £5.5 million of Raleigh sales (2020: £0.7 million).

Following its acquisition in November 2020, the integration of Raleigh continues to progress well, including the in-sourcing of woundcare manufacturing processes which are expected to come on stream and save costs in 2022. New commercial opportunities arising from the acquisition have also been evaluated and a number of existing customers have already signed multi-year contracts with the Group.

AMS made good progress in expanding the commercialisation of its ActivHeal® portfolio, having signed multiple agreements with distributors in APAC and the Gulf States and were successful with a tender in the Kingdom of Saudi Arabia.

The Woundcare Business Unit has also expanded its distribution network in the period by appointing a distribution partner in the Republic of Ireland to fulfil contract awards with the Health Service Executive, including products within both Infection Management and Exudate Management.

AMS continues to develop a customer-specific negative pressure dressing which requires 510(k) submission by our partner with submission and launch still planned for 2022. The Group sees considerable medium-term potential in the negative pressure wound treatment space.

AMS has continued to develop the application of its biosurgical, collagen technology into a tissue scaffold designed to treat hard to heal and stalled wounds such as diabetic foot ulcers and venous leg ulcers. The 510(k) submission to the FDA remains on-track for H2 2022 and a number of commercial partners have expressed an interest in this technology.

Other Woundcare

Other Woundcare comprises royalties, fees and woundcare sealants. Revenue increased by 22% at reported currency and by 28% at constant currency to £7.2 million (2020: £5.9 million) due to higher royalties from Organogenesis.

Image above:
1. ActivHeal® AquaFibre Extra, part of our woundcare dressing range

s172 (Stakeholder Engagement)

AMS considers its stakeholders as integral to its success and is committed to actively engaging and collaborating with them throughout the value chain. This engagement with our core stakeholders ensures that their views inform our business strategy, enabling us to understand their priorities, and use their feedback to shape our business. Additionally, we summarise below, and reference throughout this Annual Report, how our Directors fulfil their duties in relation to Section 172 of the Companies Act 2006 and engage with key stakeholder groups in their decision making processes.

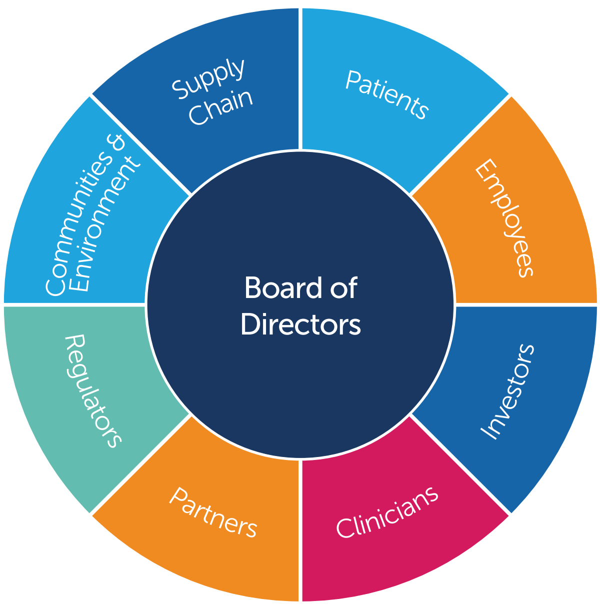
Section 172

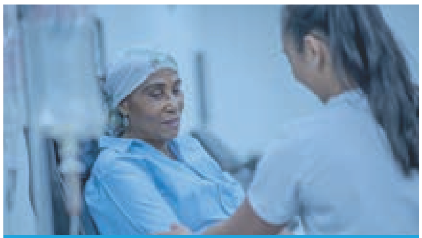
The Directors, as required by Section 172 of the Companies Act 2006, must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In so doing, the Directors must have regards, amongst other matters, to the:

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

Our stakeholders

Listening, engaging and partnering with our stakeholders, illustrated in the diagram below and further explained on pages 27 to 29, helps us to address our business impacts and improve the outcomes for those different groups.





Patients

The patient is at the heart of everything we do. We develop innovative products to improve patient outcomes, to minimise complications and improve patient safety and comfort.

Engagement activities in 2021

- Worked closely with industry bodies to keep informed of trends or changes affecting our patients.
- Seal-G® and LiquiBandFIX8® US Pre-Market Approval clinical studies to enable the commercialisation of products designed to improve surgical outcomes.
- Post-market surveillance to garner end user feedback.
- Recruitment for clinical studies to validate products to improve patient experience.

Outcomes

- Gained real world data on products as part of the product lifecycle.
- Certification of a number of new products.
- Endorsement from Tissue Viability Society on education and training.

Employees

We are a people-centric, equal opportunity business which aims to enable our employees to develop and thrive whilst maintaining their safety and supporting their wellbeing.

Engagement activities in 2021

- Focused on a COVID-19 safe workplace for our employees, customers, suppliers and sub-contractors.
- Enhanced Environment, Heath and Safety (EHS) and Environmental, Social and Governance (ESG) reporting to the Board.
- Employee Forums, Works Council and Safety Committees provided closer engagement with employees and further embedded Care, Fair, Dare culture.
- Communication with employees through intranet, newsletters, SMT portal, CEO roundtables and Whistleblowing Policy.

Outcomes

- Updated COVID-19 information for employees and developed a health and wellbeing platform for mental health.
- Significantly improved our safety performance (AMS All Incident Rate (AIR) 1.7 (2020: 2.8)).
- Introduced environmental and energy management systems.
- Women in all recruitment selection pools and on all interview panels with diversity a focus.
- Designated Non-Executive Director for workforce engagement reviewed ongoing activities.
- In 2022 a review of culture is planned to assess understanding and perception.

Investors

We give high priority to communicating effectively with investors, brokers and analysts on strategy, governance and financial forecasts.

Engagement activities in 2021

- More than 80 investor or analyst meetings covering areas including results, strategy, markets, R&D pipeline, product approvals, acquisitions and dividends.
- Consulted with major shareholders on issues such as Director independence, tenure, Board refreshment, number of Board appointments, Directors' remuneration and ESG.
- Notified of any concerns of retail shareholders, providing guidance on drivers for investment.
- AGM allows engagement on performance and activities.
- Trading updates, full and half-year announcements, product approvals and COVID-19 updates informed shareholders on performance and progress.

Outcomes

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

s172 (Stakeholder Engagement) continued

Clinicians

We work with Clinicians and Key Opinion Leaders to ensure our products are effective, easy to use and clinically safe, and meet regulatory requirements as swiftly as possible.

Engagement activities in 2021

- Invested in industry-leading training and education (ActivHeal® Academy) and other digital platforms to deliver externally endorsed educational programmes.
- Expanded subscription database to inform about our brands and current activities and developed our tools for Clinician engagement.
- Developed Clinical Advisory Boards for guidance and clinical trial development for Seal-G®.
- Conducted virtual symposia, training and market surveys and 'Voice of Customer' for key surgical products.

Outcomes

- Increased loyalty and positive feedback in the market for ActivHeal® and increased social media engagement.
- ActivHeal® awards for best website and finalist for best education campaign.
- Expanded use of clinicians and advisory bodies to expedite product approvals.
- Re-education of surgeons on key products to increase skill levels and knowledge of products due to lack of contact in 2020.

Partners

Our network of OEM and distribution partners allow us to meet the clinical needs of patients that we cannot reach directly.

Engagement activities in 2021

- 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.
- Globalised our market and selling tools and introduced a Brand Hub.
- Provided value-based incentives and pricing to create win/win relationships.
- Prepared Best in Class Launch and B2B Support Materials and initiated audit and five-year development plans.
- Provided masterclasses for Key Opinion Leaders to better understand our products. Participated in industry clinician groups.
- Aligned our pipeline of new products, value-added services and customer support programmes.

Outcomes

- Embraced virtual tools for meetings, engagement and access to clinical data, reducing our carbon footprint.
- Following clinical feedback, we further developed our 'best in class' packaging.
- Remote 'Voice of Customer' and focus groups to regularly receive feedback on products and ideas.
- Leveraged 'best in class' LiquiBand® evaluation support tools for training to support evaluation and implementation of products.
- Established clinician/advisory panels to identify technologies to meet clinical needs.

Regulators

We engage with Competent Authorities and Notified Bodies to operate within regulatory and legal frameworks and ensure our products have approval in key markets.

Engagement activities in 2021

- Committed to being open and transparent and work closely with regulators.
- Worked in partnership with Notified Bodies to gain further understanding of the regulatory landscape to ensure more efficient product approvals, including monthly meetings, clear contacts and lines of communication, and attending workshops.
- Worked with multiple Notified Bodies on MDR product approvals.
- Utilised external expertise to strengthen understanding and engagement with regulators.

Outcomes

- Gained increased understanding of regulatory requirements, improving regulatory guidance and service to partners and clinicians.
- Improved chance of success on new product approvals in existing and new markets.
- Broader understanding of MDR, FDA requirements and other legislation affecting the Group.
- Continued to inform Board of key drivers of regulatory requirements, which lead to increased investment.
- Improved chance of success with expert input to calls with Notified Bodies.

Communities & Environment

Our values encourage us to contribute to our local communities and charitable causes, reduce our environmental impact and help to stop climate change. These are key components of our ESG framework.

Engagement activities in 2021

- Encouraged employees to participate in local communities through charitable giving and other activities.
- Allocated matching charity funding to sites and employees.
- Maintained long-standing relationships with charities despite COVID-19 impact on fund-raising.
- Sponsored local community events and sports teams, and teams of employees and close family members.
- Undertaken environmental initiatives, including an environmental pledge programme, and implemented ISO50001 at selected sites.
- Local community iniatives (beach cleaning, wild flower planting and site biodiversity study).
- Reviewed environmental processes with Environment Agency.
- Customer discussions on environmental impact and emissions.

Outcomes

- Employees gained a better understanding of the needs of their local community and chosen charities.
- Substantially increased focus on charities and charitable giving.
- Activities by employees personally to reduce their carbon footprint.
- Positive external feedback from Environment Agency.
- Key customers had positive view of our environmental responsibility.

Supply Chain

We strengthen our supply chain resilience through robust supply agreements, minimising sole suppliers and a comprehensive supplier audit programme, monitoring compliance with our Ethical Sourcing Policy.

Engagement activities in 2021

- Adapted how we engaged suppliers and sub-contractors to de-risk the supply chain, moving to remote working and business briefings, discussing forward ordering, safety stock levels, customer forecasts and working to understand their operational concerns.
- Enhanced sourcing function to support R&D in project delivery and de-risking the supply chain.
- Awareness of importance of complying with agreed payment terms and requirements to disclose payment terms.

Outcomes

- Risk mitigation plans resulted in minimal disruption, continuity of supply and mutually beneficial arrangements. Working to increase safety stocks and providing expertise in areas such as logistics.
- Closer working relationships with suppliers and second sourcing where possible.
- Robust supplier audit schedule to enhance regulatory compliance and supply chain resilience.
- AMS payment practices compare favourably with industry norms.

s172 (Stakeholder Engagement) continued

Principal decisions

The Board considered the interests of and the impact on all stakeholders when making a number of key decisions during the year, as demonstrated by the following examples.

PRINCIPAL DECISION 1
Board refreshment and appointment of new Non-Executive Directors

The Board approved the appointment of Grahame Cook in February 2021 and Douglas Le Fort in August 2021. The Board placed great importance on stakeholder interests during the process. The Nomination Committee undertook an extensive search, engaging with or having regard to the following stakeholder groups:

Stakeholder considerations

- **Executive recruitment consultancy** – a search firm who had delivered good quality candidates in the past was retained with a clear brief as to the backgrounds sought in the new Non-Executive Directors (Grahame Cook – to become new Chair of the Audit Committee, Douglas Le Fort – provide commercial expertise). The agency initially delivered a list of candidates for consideration by the Nomination Committee, and advised the Committee as it proceeded through the selection process.
- **Key Employees** – an agreed shortlist of prospective candidates were then interviewed by the members of the Board.
- **Shareholders** – preferred candidates were reviewed by AMS' Nominated Advisor, to consider the appropriateness of appointment, prior to Board approval. In reaching its decision to appoint Grahame Cook and Douglas Le Fort, the Board considered carefully their backgrounds and experience (see page 53 for bios).

The impact on the long-term sustainable success of the Group

The Board appointments will support our high standards of corporate governance and compliance with the 2018 UK Corporate Governance Code. They will assist the Board move into the next phase of development, helping to focus on supporting AMS's growth strategy, providing strategic advice as the business builds on its position in the UK and internationally and drive significant value creation. They will be extremely valuable additions to our Board as AMS looks to grow and meet future challenges.

Outcome

Our Board has returned to what we consider to be the appropriate size and provides the necessary blend of skills, experience and tenure, both from an internal perspective and the perspective of our investors, equipping us to grow and meet future challenges. The next phase of Board refreshment will focus on diversifying the Board to meet the expectations of the market and support the Group's long-term goals.

Penny Freer will retire from the Board at the 2022 AGM and our commitment to equality and diversity will be a key part of the recruitment process.

PRINCIPAL DECISION 2
Development of ESG Framework and establishing ESG Steering Committee

In April 2021 the Board approved the publication of an ESG Report in the 2020 Annual Report and committed to developing an ESG Framework. We have developed this framework internally after engagement with multiple stakeholder groups, including shareholders, employees, customers and our internal auditors. This included independent research and interviews with internal and external participants. This foundation, framework, approach and our progress is detailed on pages 32 to 43 of this Report.

Stakeholder considerations

- **Investors** – significant shareholders were offered the opportunity to engage directly on ESG and a number of calls were held, with their views reflected in the work carried out in 2021 on our framework and by the ESG Steering Committee.
- **Employees** – we engaged the views of our employees and established an ESG Steering Committee to reflect the views from across the Group, both by site and by function.
- **Customers** – we have received significantly increasing ESG expectations from across our customer base, both from the public sector (NHS) and large customers (predominantly US based). Their requirements, views and best practice proposals are reflected in the detail of the framework.
- **Communities and Environment** – the work already being carried out in our communities was reviewed and the need to further engage was highlighted by charity matching funding being made available to employees at each site. Our commitment to reducing our carbon footprint was endorsed by the decision to become operationally carbon neutral in 2022 and developing a 'Pathway to Net Zero'.

The impact on the long-term sustainable success of the Group

The Board believe the ESG Framework provides a good building block to further develop our targets in relation to ESG. The ever-increasing external expectations from customers are being met, allowing us to maintain current relationships. By being proactive in many areas we believe we will continue to be a company that can be invested in by any private individual or investment fund and project a positive view of the Group. Our work and goals in this area will need to be further developed over the next year to ensure we are meeting our responsibilities as a good corporate citizen and are in line with market and best practice.

Outcome

The development of an ESG Framework which sets out our strategy and plans for ESG. We believe our activities in this area meet the expectations of our investors and other stakeholders.

PRINCIPAL DECISION 3

Engaging with significant shareholders on Directors' Remuneration

In 2021 we engaged directly with significant shareholders on proposed changes to Directors' remuneration and updating our Remuneration Policy, outlining our plans and offering the chance to comment on these changes through a meeting with our Remuneration Committee Chair. This engagement is invaluable to AMS and the majority of our significant shareholders responded, with a number requesting changes to the initial proposals. The Board considered the feedback received, both positive and negative, when finalising the changes which were implemented.

Outcome

A Remuneration Policy supported by significant investors that ensures we are able to attract, motivate and retain the talent we need to deliver on our strategy. Details of these changes is outlined in our Remuneration Report on pages 69 to 80.

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 2021.

Reporting requirement	Group Policies that guide our approach	Information and risk management, with page references
Environmental matters	– Environmental Policy – Ethical Sourcing Policy – ESG Policy	Reporting environmental impact/ SECR disclosures – pages 42 and 43 Our Business Model – pages 2 and 3 Risk Management – pages 47 to 51
Employees and social matters	– Equality, Diversity and Inclusion Policy – Community Support – Health and Safety Policy – Environmental Policy – Ethical Sourcing Policy	Reporting on our environmental impact – pages 42 and 43 Our Business Model – pages 2 and 3 Risk Management – pages 47 to 51 Stakeholder Engagement – pages 26 to 31 Our Strategy – pages 10 to 19
Respect for human rights	– Anti-Slavery Policy – Ethical Sourcing Policy – Modern Slavery Act Policy	Corporate Governance Report – pages 56 to 61
Anti-corruption and anti-bribery matters	– Anti-Bribery Policy – Gift Policy – Sanctions Policy – Whistleblowing Policy – Ethical Sourcing Policy	Audit Committee Report – pages 65 to 68 Risk Management – pages 47 to 51
Description of the business model		Our Business Model – pages 2 and 3
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 we manage the risks		Risk Management – pages 47 to 51
Non-financial key performance indicators		Key Performance Indicators – pages 20 and 21

Environmental, Social and Governance

In 2021 we committed to developing an Environmental, Social and Governance (ESG) Framework as a key part of our ESG Journey.

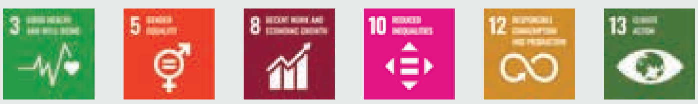
Minimising our impact on the environment

Advancing sustainability
Minimising environmental impact
Socially responsible

Our ESG Framework is based on our 4 Ps (Planet, People, Product, Policy) and focuses on key commitments that are meaningful and aligned to our Mission and the United Nations Sustainable Development Goals (SDGs). Our approach to ESG is a core part of our mission and strategy and is supported by Increased resources and improved organisational effectiveness.

Our contribution to the United Nations Sustainable Development Goals

These areas where our business can have the most meaningful impact:



For more information see page 41

ESG Framework

ENVIRONMENT	SOCIAL		GOVERNANCE
PLANET	**PEOPLE**	**PRODUCT**	**POLICY**
Principles			
• Minimise any negative impact on the environment. • Uphold the highest standards of corporate responsibility.	• Having a positive impact on the local communities in which we operate. • Offer our employees a safe, supportive working environment with a positive culture.	• Operate in an ethical and responsible manner. • Contribute to society by developing products to improve patient outcomes.	• Uphold the highest standards of corporate governance. • Build and develop an ESG reporting framework with meaningful targets.
Stakeholder engagement			
• Communities and Environment. • Supply Chain. • Investors.	• Patients, Partners, Clinicians. • Employees.	• Regulators. • Supply Chain.	• Investors. • Partners. • Employees.
Commitments			
• Minimise negative environmental impact, combat climate change. • Manage energy use more efficiently and increase renewable and sustainable resources. • Reduce waste, protect water, improve recycling, re-use materials. • Expand scope of ISO Certification. • Promote Environmental Pledge Scheme.	• Attract, retain and develop our talent to support future growth. • Promote equality, diversity and inclusion. • Support employees on health, safety and all forms of wellbeing, including EAP Programme and mental wellness app. • Provide financial support for employees' charity work, chosen charities and community volunteering.	• Uphold ethical standards across our value chain. • Work with patients, partners and clinicians to identify unmet needs. • Improve transition of early stage R&D, reduce waste. • Manufacture products focused on quality, customer safety, welfare. • Transition to recyclable packaging, apply regulations and certification.	• Uphold external standards to protect human rights. • Zero tolerance towards bribery, corruption and fraud. • Robust data governance and compliance. • Ensure equal pay regardless of gender, ethnicity or disability. • Enrol in UN Global Compact, embed Ten Principles across business.
ESG metrics			
• Pathway to reduce emissions, plan for scope 3. • CO_2e emissions per £k sales (KG). • Gas usage, water, electricity (total, by person). • Waste (recycle, landfill, incinerate).	• Charitable donations. • YOY Health & Safety score. • Employee Engagement score. • Training and development spend. • % training in EDI/ Unconscious bias.	• Number of new products released per year. • % new products released with recyclable packaging. • Product safety rates in market. • % suppliers signed up to Supplier Charter.	• Compliance with UN Global Compact principles. • Reported cases of bribery, corruption or fraud. • Whistleblowing reports.
UN Sustainable Development Goals			
12, 13	3, 5, 8, 10	3, 12	5, 8

Environmental, Social and Governance continued

We have further developed our processes and plans for issues that are meaningful to us, with particular focus on our metrics, monitoring, reporting and management of performance.

In addition to our ESG framework in 2021, we have:

- Expanded data capture and improved management systems and processes to ensure the continued improvement and accuracy of data.
- Formalised our approach and strong governance of ESG issues with the formation of an ESG Steering Committee and expanded the role of our Group H&S Manager to encompass ESG.
- Integrated ESG factors into key employees personal objectives, key results and executive remuneration.
- Increased reporting scope and transparency, including reporting in reference to established global reporting frameworks such as the UN SDGs within this Report.
- Further increased our use of renewable energy.
- Implemented pro-active approach to COVID-19, remaining fully operational.
- Rolled out real time Environmental, Health and Safety IEHS) reporting, EHS maturity plan and significantly reduced health and safety incidents.

Post period end in Q1 2022 we:

- Commenced a review of Task Force of the Climate-related Financial Disclosure (TCFD) requirements to identify climate risk and aligned opportunities.
- Engaged our internal auditor RSM to conduct an ESG Maturity Assessment, the output of which is reflected in this Report.

AMS is an environmentally conscious organisation which acknowledges the impact our operations and services may have on the environment.

Looking forward

We are accelerating progress of our ESG roadmap, and we are proud to have achieved so much already in 2021. While we celebrate our achievements, we recognise that this is a journey and there is always more that can be done, and more to aim for. A selection of our focus areas for 2022 include:

- Extensive Board discussion led to a decision to work with an external consultant to implement a **'Pathway to Net Zero'** (see page 42 for further details).
- Further engage our stakeholders, in particular Investors and Employees, to further develop the materiality work carried out and refine our ESG Framework.
- Continue to assess and meet current and upcoming trends, including adapting our ESG Framework to consider the Global Reporting Initiative (GRI) and TCFD requirements and SDGs and reflect best practice.
- Build on robust governance processes.
- Continue to build performance reporting and monitoring systems with improved data.
- Feasibility studies of energy saving and environmentally beneficial projects.
- Build on our role in the medical device market through growth in provision of our quality products to the market, supported by the sustainability goals and external accreditation.
- Adopt UN Global Compact and the Ten Principles.
- **Our Roadmap will outline the pathway and milestones in subsequent annual reports.**

On the following pages we describe our approach to our 4 Ps, key highlights, metrics, and next steps for each of our key issues, as outlined in our ESG Framework.

More information and detail is also on our Website (**www.admedsol.com**) and queries can be directed to **esg@admedsol.com**

PLANET

ENVIRONMENT
PLANET

We are committed to minimising any negative impact on the environment and upholding the highest standards of corporate responsibility.

Emissions per £k sales

27.45 CO_2e

net scope 1 (direct) and scope 2 (indirect) emissions intensity[1] (2020: 20.72 CO_2e, 2019 25.14 CO_2e emissions per £k sales)

2,838,419 kg CO_2e[1]
scope 1 and 2 emissions (2020: 1,876,157 CO_2e, 2019: 2,717,061 CO_2e)

51%
renewable/low carbon energy mix (including nuclear) (2020: 42%)

53 m^3/employee
total water usage (2020: 42m^3)

2.2%
waste to landfill (2020: No data)

1.25 tons/employee
total waste (2020: 0.76 tons/employee)

1 2021 emissions influenced by acquisition of Raleigh (36% of total gas usage in 2021 – gas accounts for 52% of Group scope 1 emissions). Raleigh scope 1 and 2 emissions were 423,398 CO_2e (15% of Group), £250k invested on obsolete HVAC systems that created a 200% increase in f-gas losses in 2021. The comparator year (2020) was heavily impacted by COVID-19, resulting in lower utilities water and waste metrics.

Highlights

Continued development of energy and climate change strategy and action plans.

Improvements made to data management and collection.

Reduced business car mileage by improved communication and processes.

Board decisions to work with external consultant on a Pathway to Net Zero.

First **electric car charger** purchased.

Review of potential future impact of **TCFD** commenced (Q1 2022).

Invested in solvent recovery to reduce risk of environmental spillage.

Commenced roll out of more in-depth recycling processes.

Launched **Environmental Pledge** Scheme across the Group to encourage employees to reduce their own carbon footprint.

Looking forward

- Improve and expand data collection and analysis to enable targeted improvements.
- Refine internal targets and embed climate change risk, including risk register (renewable energy target: 70% by 2025).
- Focus on waste management (recycle, landfill, incineration).
- Further embed role of 'ESG Champions' for local and global awareness, initiatives and support.
- Review of renewable energy and other activities to align with mission, strategy and values.
- Expand implementation of ISO 14001 and ISO 50001 certification across the Group.
- Further promote Environmental Pledge Scheme, measure impact and communicate key ideas.

Environmental, Social and Governance continued

PEOPLE

We are committed to having a positive impact on the local communities in which we operate and offering our employees a safe, supportive working environment with a positive culture.

76%

of employees were neutral or positive about AMS living their Care, Fair, Dare values in the engagement survey (2020: 78%)

69%
employee engagement survey response rate (2020: 45%)

83%
positive or neutral responses based on the external benchmark of our Engagement Score[1]

64%
training in Equality, Diversity and Inclusion/unconscious bias (employees with email, 35% of all employees)

1 As defined by the Culture Amp software.

1
reported incident of discrimination (2020: 0)

20%
invested in the Employee Share Plan (2020: 21%)

2.1
H&S (AMS Accident Incident Rate) (2020: 2.8)

0
Lost Time Incidents (LTIs) (2020: 5)

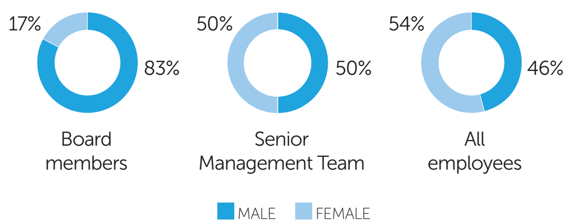
Highlights

New approach to charitable giving and donations, aligned to our mission, locations and activities.

£30k donated to charitable and community activities through product and monetary donations (2020: £16k).

Strategic partnership plan with charities working in areas aligned with our values and maximise impact.

Employee gender diversity



Highlights

- EDI/unconscious bias training linked to launch of Altogether AMS, our Diversity and Inclusion Programme, and launch of EDI Committee.
- Redesigned Executive bonus scheme to focus more on personal objectives and within that ESG progress.
- Continued improvement and formalisation of processes including employee inductions, training requirement assessment and role clarity.
- Improved EHS governance, data capture processes and internal H&S communications.
- Continued embedding of health and safety culture.
- Extensive COVID-19 controls to maintain safe working environments for our staff.

Looking forward

- Work to embed EDI across the Group, in particular in recruitment.
- Continuous review of our benefits proposition.
- Increase training and development budget to drive employee satisfaction and develop key staff.
- Promote expanded Employee Assistance Programme (EAP) and actions to improve access to support for mental wellbeing.
- Increase frequency of company-wide EHS events including annual EHS day and site 'EHS focus days'.
- Focus on building approach to charitable giving and engagement by development of communities strategy.

ESG Principles

1. Operate in an ethical and responsible manner
2. Minimise any negative impact on the environment
3. Have a positive impact on the local communities in which we operate
4. Offer our employees a safe, supportive working environment with a positive culture
5. Contribute to society by developing products to improve patient outcomes
6. Uphold the highest standards of corporate governance and responsibility
7. Build and develop an ESG reporting framework with meaningful targets
8. Ensure that ESG is at the heart of our business

CASE STUDY

Reducing our environmental impact

In 2021 our Plymouth site undertook a project looking at energy consumption which resulted in the installation of 494 photovoltaic solar panels on the roof of the building to provide a substantial renewable source of energy to the site. This was a key step in becoming a more sustainable business and the panels now provide 19% of site electricity per year, the equivalent carbon saving in excess of 1,900 trees per annum, and supporting the local economy as the project was developed and planned in conjunction with a local provider.

The site has now entered the next phase and received planning permission to create capacity for additional volumes for Seal-G®, LiquiBandFIX8®, LiquiBand XL® volumes and further R&D capability. ESG was at the heart of the project. The site went through an extensive biodiversity survey; material selection reflected environmental requirements, and solar panels were part of the structural design. The internal specifications also reflect the requirements of our ESG and sustainability goals.

68.7
MWh generated

19%
of the site's electricity

Find out more on our website **www.admedsol.com**

Environmental, Social and Governance continued

PRODUCT

We are committed to contributing to society by developing products to improve patient outcomes.

£9.3m

dedicated investment in R&D
2020: £7.9m

8.6%
of revenue spend on R&D and innovation (2020: 9.1%)

3
new products released in 2021 (2020: 3)

94%
of key[1] materials suppliers met with, visited and/or audited in the past year

1 Ranked critical, crucial or major.

0
deaths caused in the market by AMS products (2020: 0)

$10.6 billion
potential total annual achievable market estimation (see pages 8 and 9 for more information)

Highlights

Significant progress in key R&D projects to meet unmet patient needs (LiquiBandFIX8® PMA for distribution in the US and Seal-G® and Seal-G® MIST – see page 6 for further details).

Further development of strategic approach to technology and innovation aligned to business growth plans.

Successful supply chain management and contingency planning throughout coronavirus pandemic.

Assessed plans to implement strict standards of **sustainable sourcing.**

Group-wide **review of packaging and statutory packaging requirements**.

Looking forward

- Further develop collaboration strategies with academia and research institutes.
- Increasing focus on process efficiency and product quality innovation.
- Continued investigation and assessment of alternative raw material supplies to further strengthen security of supply and supply chain resilience.
- Review considerations for health care economics to consider the best ways to distribute product in an ethical way to meet ethical needs.
- Continued focus on responsible and sustainable sourcing of raw materials.

POLICY

We are committed to operating in an ethical and responsible manner, upholding the highest standards of corporate governance and to building and developing an ESG reporting framework with meaningful targets.

0 fines

and non-monetary sanctions from non-compliance with environmental laws and/or regulations (2020: 0)

First ESG Steering Committee Meeting held (Three as at Q1 2022)

First formal annual ESG reporting initiated

0 incidents

of bribery, corruption or fraud (2020: 0 incidents)

0

whistleblowing reports (2020: 0)

£0

spend on political campaigns, lobbying or think tanks (2020: £0)

0

reported incidents of human rights violations in our supply chain (2020: 0)

Highlights

Continued adherence to the UK Corporate Governance Code (see pages 56 to 61).

Appointment to the Board of **Grahame Cook** and **Douglas Le Fort** as Non-Executive Directors.

Updated and revised **Annual Compliance training** on data protection, modern slavery and the policies listed on the right of this page.

ESG Steering Committee formation complete; development of robust ESG data collection and management processes.

Explicit establishment of ESG (including climate risk) in Risk Register.

ISO 50001 and ISO 14001 action plan commenced.

Review and refresh of policies:

i) Anti-Bribery, Anti-Money Laundering, Anti-Facilitation of Tax Evasion, Competition Law.

ii) Whistleblowing.

iii) Market Abuse, Gifts and Hospitality.

iv) Health and Safety, and Environmental and Energy policies.

Looking forward

- Formally sign up to UN Global Compact (see page 40).
- Sustainability and ESG related policy development.
- Assessment and progress of ISO 50001 and 14001 standards implementation and expansion to other sites.
- Assessment of current processes and performance reporting to external, best practice benchmarks.
- Re-launch of updated Compliance training.
- Development of a formal Code of Conduct for all employees.
- Continued integration of acquisitions to ensure all policies are adopted and embedded.

Environmental, Social and Governance continued

Established an ESG Steering Committee

Topics reviewed by the ESG Steering Committee

EDI training
Employee engagement
Mental wellbeing
Bribery and corruption
Packaging review
Waste energy management
Expanded EAP Programme
New products for unmet needs
Supplier charter
Training and development
Protect Human Rights
SDGs

ESG Inputs

- Stakeholder interests
- ESG Principles
- Board oversight
- ESG Framework
- Right thing to do

ESG Steering Committee

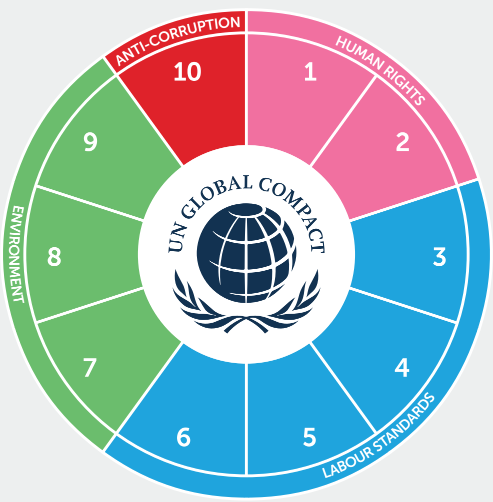
ESG Outputs

- EDI (Committee, Altogether AMS)
- ESG Champions across sites
- ESG metrics
- Environmental Pledge Scheme
- Charity and community work

COMMITMENT TO IMPLEMENT A ‘PATHWAY TO NET ZERO’

External Accreditation

Our commitment to ESG is underpinned by our decision to adopt the UN Global Compact Ten Principles.



Principles 1 and 2 – Human Rights
Support and protect human rights and avoid abuses

Principles 3 to 6 – Labour Standards
Uphold freedom of association and right to collective bargaining, eliminate forced, compulsory and child labour and discrimination

Principles 7 to 9 – Environment
Take action on environmental challenge, promote environmental responsibility and encourage environmentally-friendly technologies

Principle 10 – Anti-Corruption
Work against all forms of corruption

UN Sustainability Development Goals

Selection of an appropriate reporting framework

Following a review of recognised external reporting frameworks, we concluded that one of the most relevant primary reference frameworks for AMS was the United Nations Sustainable Development Goals (UN SDGs), the 17 goals which were adopted by all UN Member States in 2015, as part of the 2030 Agenda for Sustainable Development, which sets out a 15-year plan to achieve the Goals.

The SDGs which we consider to be most relevant to AMS are:

UN Goal	How AMS contributes
Ensure healthy lives and promote wellbeing for all at all ages	AMS supply innovative tissue-healing technologies which ensure the best clinical outcome for the patient and improve the patient experience. Both patient and clinician experience are focus areas. Mental wellbeing is a focus with increased levels of flexible working and the launch of an expanded Employee Assistance Programme in 2022.
Ensure gender equality and empower all women and girls	AMS is committed during recruitment, promotion, and other selection processes to ensuring equal opportunities for all, irrespective of gender. Our Equality, Diversity and Inclusion programme, Altogether AMS, will promote gender equality and a culture of inclusion.
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	AMS works closely with clinicians and partners, investing in industry-leading training and education, using a variety of digital platforms to deliver externally endorsed educational programmes.
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	AMS employs more than 700 people working together to deliver our mission, vision and long-term sustainable growth. AMS recognises that ensuring employees are engaged, skilled and motivated is critical for successful delivery of strategy. We are committed to paying the living wage and to the training and development of our employees in a safe working environment.
Ensure sustainable consumption and production patterns	Through our quality management system and supply chain management activities, AMS aims to ensure that all its products meet the highest standards of quality, safety and efficacy, meeting audit requirements and adhering to policies on anti-bribery, anti-slavery and ethical sourcing.
Take urgent action to combat climate change and its impacts	AMS is committed to taking action against climate change and keeping the global average temperature increase below 1.5C. We are focused on reducing carbon emissions, increasing the proportion of renewable sources in our energy mix, reducing waste and embedding climate change risk. Our investment in a 'Pathway to Net Zero' will drive further progress in the short to medium term.

Other key ESG activities

Modern Slavery Act

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

During 2021, we 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.
- Ensured Anti-Slavery, Human Trafficking and Forced Labour Policies are a focus for the ESG strategy.

The full compliance statement can be found on the company website **www.admedsol.com**.

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 remain confident that employees are paid equally for doing equivalent jobs across the business, as well as having equal opportunities for development and advancement.

Our latest report under the Gender Pay Gap Regulations is available on the company website **www.admedsol.com**

Environmental, Social and Governance continued

Becoming a more sustainable business.

Environmental Review of 2021

We are required to comply with the Companies (Directors' Report) and Limited Liability Partnerships (Energy & Carbon Report) Regulations, 2018, this covers Stream lined Energy and Carbon Reporting (SECR). In 2019, we measured our environmental impact in line with the SECR requirements to develop our base line results. These baseline results determine our ultimate performance from our base year figures to our most current reporting period.

Our 2020 report showed improvements through reduction in overall Carbon Dioxide equivalent (CO_2e) emissions to the atmosphere in both of our intensity ratios and helped to shape our objectives for 2021. Our 2021 report now includes Raleigh Coatings which was acquired at the end of 2020. Our high-level findings are presented below.

Environmental Impact

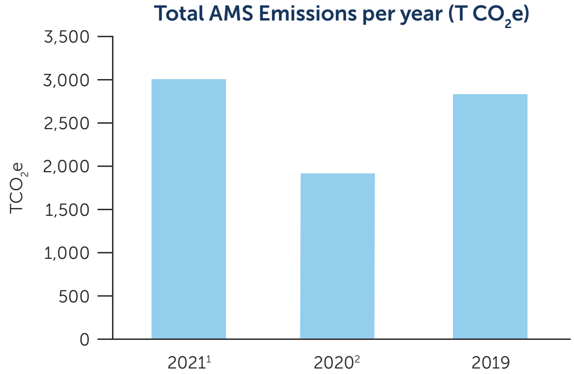
In 2021 AMS emitted 2,981 TCO_2e into the atmosphere, an increase on both 2019 (2,797 TCO_2e) and 2020 (1,899 TCO_2e). This has been impacted by the growth of the business leading to more sites and higher levels of production, including the acquisitions of Raleigh and Biomatlante.

Total Scope 1,2 & 3 (TCO_2e)

2021[2]	2,981.22
2020[1]	1,899.00
2019	2,797.16

1 Raleigh included for first time in 2021.
2 COVID-19 impacted year.

Total AMS Emissions per year (T CO_2e)



Environmental Development

In 2021 we committed to investing time and resources into becoming both more sustainable and more carbon efficient.

We use our Environmental Policy to guide decisions and our Board are committed to our environmental plans and objectives.

As part of our commitments outlined on page 33 we implemented the International Standards (ISO) for Energy and Environmental Management (ISO 14001 & ISO 50001) and received a positive report at stage 1, allowing us to undertake final certification audits H1 2022.

2021 Targets

No breaches of environmental permits or consents	**Achieved**
Policy adoption (Environmental/ Energy Management)	**Achieved** Endorsed at Board level
Implementation of ISO 14001 & ISO 50001 across the Group	**Achieved** See left
ESG Framework	**Achieved** Outlined on page 33
Installation of Solar panels at AMS Plymouth	**Achieved** Outlined on page 37
Launch of Environmental Pledge programme	**Partially achieved** Launched in conjunction with the ESG Champions in Q1 2022

Future development

In line with our ESG framework and commitment to reduce our environmental burden, in 2022 AMS will develop our approach to sustainability by:

- Work with an external consultant to review where we can reduce our Scope 1 and 2 emissions and assess/scope our Scope 3 emissions, both up and down the supply chain.
- Establish a process to move towards Net Zero via the feasibility assessment outlined above and report to the Board on resource required to drive AMS' long-term sustainability.
- Set site-based targets to support our ambitions and promote how AMS can help and play a part in keeping global warming potential under the Science-Based Target of 1.5C

During 2021 we received a significant number of requests from our stakeholders for environmental and ESG related data. We spent a lot of time reviewing progress on our ESG journey and how our stakeholders perceive us. In 2022 we will build on this and undertake activities that support our projects, focusing on reducing our emissions, minimising use of natural resources and reducing risks to biodiversity and habitats, including resource scarcity.

Our reporting

Our emissions reporting represents all core business operations within scope of our Consolidated Financial Statements. Primary data from energy suppliers has been used wherever possible.

Following the Companies (Directors' Report) and Limited Liability Partnerships (Energy & Carbon Report) Regulations, 2018 and to meet out SECR reporting requirements, we report within AMS' report the following recognised scopes.

These scopes are listed within ISO 14069:2013, which describes the principles, concepts and methods relating to the quantification and reporting of direct and indirect greenhouse gas (GHG) emissions for an organisation.

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 leaks.

Scope 2 – Indirect Emissions from electricity purchased and used by the organisation. Emissions 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.

Our calculations are based on records we hold and use location-based emissions in compliance with the factors published by BEIS/DEFRA from June 2020 and June 2021. We report all our Scope 1 and Scope 2 emissions. In 2019 we also committed to start reporting on some elements of Scope 3.

The table below covers the total emissions from AMS activities for all locations in 2021, it also offers a comparison to both 2020 and our base year data 2019.

	Yearly comparison (kg CO_2e)			
Emissions type/scope	**2021**[1]	**2020**[2]	**2019**	**Commentary**
Total Scope 1 (kg CO_2e)	**1,726,938**	**565,517**	**1,394,419**	
Natural gas (kg CO_2e)	899,415	104,794	465,928	Gas emissions based on usage in all but one geographical location.
Gas oil (kg CO_2e)	145,425	143,456	234,813	Emissions through use of oil powered heating and supply system in one AMS location.
AMS Company cars (kg CO_2e)	248,891	172,504	406,308	Emissions generated from AMS owned vehicles, this is combined petrol, diesel and hybrid emissions.
F-gas losses (kg CO_2e)	433,207	144,763	287,370	Emissions captured through F-gas losses across AMS systems.
Total Scope 2 (kg CO_2e)	**1,111,481**	**1,310,640**	**1,322,642**	
Location based electricity (kg CO_2e)	1,111,481	1,310,640	1,322,642	Electricity emissions based on use in each geographical location.
Total Scope 3 (kg CO_2e)	**142,798**	**22,838**	**80,094**	
Electricity, transmission and distribution loss (kg CO_2e)	97,136	N/A	N/A	Not captured before 2021 covers loses within network and usage.
Water in (kg CO_2e)	4,501	10,799	9,998	Water delivered to AMS locations for all types of use ranging from manufacturing processes to sanitary use.
Water processed for reuse/trade effluent (kg CO_2e) (Winsford only)	2,280	N/A	N/A	Not captured before 2021, covering treatment of water used across our locations.
Private business miles (kg CO_2e)	19,751	N/A	N/A	Not captured before 2021, covers business miles completed in privately owned vehicles, based on the definition of a medium sized car.
Waste processing, all types (kg CO_2e)	19,130	12,039	70,096	Emissions generated through waste processing based on types of waste, both recycled and non-recyclable.
Total Scope 1, 2 & 3 (kg CO_2e)	**2,981,217**	**1,898,995**	**2,797,155**	
Intensity measure – COGS (£K) (kg CO_2e)	27.45	22.23	25.14	kg CO_2e emissions per £ of sales.
Intensity measure – Eaches (kg CO_2e)	0.03	0.02	0.04	kg CO_2e emissions per unit (eaches) produced.
Intensity measure – Percentage of waste to landfill (% T)	2.2	N/A	N/A	Percentage of waste that cannot be recycled, further processed but has to go to landfill.
Intensity measure – Renewable/low carbon energy mix (including nuclear)	51%	42%	N/A	Percentage of electricity supplied to locations from renewable sources (including nuclear).
Renewable energy mix (excluding nuclear)	**30%**	**35%**	**N/A**	

1 Raleigh included for first time in 2021.
2 COVID-19 impacted year.

Financial Review

Recovery of volumes driving increased profitability and cash generation despite R&D investment

Adjusted[1] profit before tax

£25.6m
+92%

Net operating cash flow

£31.0m
+44%

Eddie Johnson, Chief Financial Officer

Summary

The Group delivered record sales of £108.6 million supported by commercial success, despite the ongoing impact of COVID-19 on elective surgery, wound treatment volumes and hospital access.

In comparison to 2019, this included a positive net revenue impact of £6 million from acquisitions and foreign exchange movements.

Gross margin improved to 56.2% (2020: 53.0%) as a result of higher throughput at our manufacturing facilities reducing the cost to manufacture our products and as a result of a strong recovery of sales in our higher margin goods.

Administration expenses increased to £37.0 million (2020: £34.5 million) inclusive of foreign exchange movements due to higher amortisation of intangible assets and a return to more routine levels of business activity, partially offset by favourable currency hedges in the year.

The Group incurred £9.3 million of gross R&D spend in the period (2020: £7.9 million), representing 8.6% of sales (2020: 9.1%), reflecting increased investment in innovation and in meeting the increasing regulatory standards.

No exceptional costs were incurred (2020: £0.8 million relating to both the acquisition of Raleigh and our participation in a process in which AMS was unsuccessful).

Amortisation of acquired intangible assets increased to £3.2 million in 2021 (2020: £2.3 million) due to the full period effect of the acquisition of Raleigh in November 2020.

£0.4 million was recorded in relation to the long-term liability expense recognised on acquisition of Sealantis in 2019 (2020: £0.2 million).

Adjusted operating profit which excludes amortisation of acquired intangibles and exceptional costs, increased by 89.3% to £26.2 million (2020: £13.8 million) whilst the adjusted operating margin increased by 880 bps to 24.1% (2020: 15.9%) due to the negative impact of the COVID-19 pandemic on the Group's revenues in the prior period.

The Group generated adjusted profit before tax of £25.6 million (2020: £13.4 million) and profit before tax of £22.0 million (2020: £10.1 million).

1 Adjusted profit before tax is shown before exceptional items which were £nil (2020: £0.8 million, 2019: £1.1 million), amortisation of acquired intangible assets which was £3.2 million (2020: £2.3 million, 2019: £1.7 million) and long-term liability expense of £0.4 million (2020: £0.2 million, 2019: credit of £0.3 million) as defined in the Financial Review. Adjusted operating margin is shown before exceptional items and amortisation of acquired intangible assets.

To provide the clearest possible insight into our performance, the Group uses alternative performance measures. These measures are not defined in International Financial Reporting Standards (IFRS) and, therefore, are considered to be non-GAAP (Generally Accepted Accounting Principles) measures. Accordingly, the relevant IFRS measures are also presented where appropriate. AMS uses such measures consistently and reconciles them as appropriate. The measures used in this statement include constant currency revenue growth, adjusted operating margin, adjusted profit before tax and adjusted earnings per share, allowing the impacts of exchange rate volatility, exceptional items, amortisation and the change in long-term liability expense to be separately identified. Net cash is an additional non-GAAP measure used. For further information on Alternative Performance Measures see page 131.

Reconciliation of profit before tax to adjusted profit before tax

	2021 £'000	2020 £'000
Profit before tax	21,984	10,089
Amortisation of acquired intangibles	3,179	2,269
Long-term liability expense	426	167
Exceptional items	–	834
Adjusted[1] profit before tax	25,589	13,359

The Group's effective corporation tax rate, reflecting the blended tax rates in the countries where we operate and including UK patent box relief, increased to 20.5% (2020: 14.9%). The increase on the previous period has arisen as the Group was able to retrospectively claim for patent box relief as a result of the granting of patents on LiquiBand® Exceed in the first half of 2020. Additionally, the substantive enactment of the higher tax rate in the UK from April 2023 has increased the valuation of the deferred tax liability and contributed an additional 2.6 percentage points to the effective tax rate.

Adjusted diluted earnings per share increased by 78% to 9.66p (2020: 5.44p) and diluted earnings per share increased by 103% to 8.01p (2020: 3.94p), reflecting the Group's increased earnings.

Reflecting the Group's strong net cash position and confidence in the Group's prospects, the Board is proposing an increased final dividend of 1.37p per share, to be paid on 17 June 2022 to shareholders on the register at the close of business on 27 May 2022. This follows the interim dividend of 0.58p per share paid on 22 October 2021 and would, if approved, make a total dividend for the year of 1.95p per share (2020: 1.70p) an increase of 15%.

Operating result by business segment

Year ended 31 December 2021	Surgical £'000	Woundcare £'000
Revenue	64,630	43,971
Segment operating profit	18,298	5,420
Amortisation of acquired intangibles	2,005	1,174
Adjusted[1] segment operating profit	20,303	6,594
Adjusted[1] operating margin	31.4%	15.0%

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

Year ended 31 December 2020	Surgical £'000	Woundcare £'000
Revenue	50,169	36,627
Segment operating profit	6,962	5,220
Amortisation of acquired intangibles	2,132	137
Adjusted[1] segment operating profit	9,094	5,357
Adjusted[1] operating margin	18.1%	14.6%

Image above:
Commitment to R&D with significant increase in investment in 2021.

Financial Review continued

Despite the ongoing COVID-19 impacts, the Group delivered strong revenue growth, profit and cash generation while continuing to invest in key projects.

Surgical

Surgical revenues increased by 29% to £64.6 million (2020: £50.2 million) at reported currency and 34% at constant currency. Adjusted operating margin increased by 1,330 bps to 31.4% (2020: 18.1%) as higher sales allowed the Group to achieve greater operational leverage compared with the previous period.

Woundcare

Woundcare revenues increased by 20% to £44.0 million (2020: £36.6 million) at reported currency and by 23% at constant currency. Adjusted operating margin increased by 400 bps to 15.0% (2020: 14.6%) as the general recovery was partially offset by reduced Silver Alginate volumes.

Currency

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 year, approximately one third of sales was invoiced in US dollars and approximately 30% was invoiced in Euro.

The Group estimates that a 10% movement in the £:US$ or £:€ exchange rate will impact Sterling revenues by approximately 3.4% and 2.9% respectively and, in the absence of any hedging, this would have an impact on the Group operating margin of 2.8% and 0.3% percentage points respectively.

Cash flow

The Group continued to generate significant amounts of cash through operations as strong net cash inflow from operating activities grew to £31.0 million (2020: £21.5 million) as the business recovered from the impact of the COVID-19 pandemic without significantly increasing working capital.

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

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Net cash inflow from operating activities	31,025	21,511
Add back exceptional items	221	613
Adjusted net cash inflow from operating activities	31,246	22,124

At the end of the period, the Group had net cash of £73.0 million (31 December 2020: £53.8 million).

Working capital decreased during the year, despite the sales growth achieved during the year. An increase in receivables as a result of higher sales has been offset by reduced inventory levels and increased payables. Inventory cover reduced to 4.9 months of supply (2020: 5.7 months) following a period of increased demand and supply chain disruption. To mitigate against ongoing supply disruption, the Group intends to rebuild inventory back to the higher levels held during the Brexit transition period and earlier stages of the COVID-19 pandemic. Debtor days reduced marginally to 44 days (2020: 45 days) whilst Creditor days increased to 37 days (2020: 30 days) mainly due to the timing of payments.

Capital investment in equipment, R&D and regulatory costs increased to £6.5 million (2020: £5.3 million) as the Group continues to invest in its future pipeline.

Cash outflow relating to taxation increased to £4.1 million (2020: £3.7 million) which is £0.4 million lower than tax in the income statement. This is due to the timing of payments on account and the non-cash impact of the upwards revaluation in the Deferred Tax Liability following the enactment of higher tax rates in the UK from April 2023. Despite a significantly higher tax expense in the year as the Group's taxable profits grew, the prior period included accelerated payments on account in the UK resulting in only a marginal increase in cash outflow relating to taxation. The UK Government's enactment of a 25% tax rate from April 2023 will result in an increased group effective tax rate from FY2023.

The Group paid its final dividend for the year ended 31 December 2020 of £2.6 million in June 2021 (2020: for the year ending 2019, £2.3 million in June 2020), and its interim dividend for the six months ended 30 June 2021 of £1.2 million in October 2021 (for the 6 months ended 30 June 2020: £1.1 million in October 2020).

The Group has an undrawn unsecured £80 million credit facility provided jointly by Natwest and HSBC which will be renewed before its end date of December 2022. This facility carries an annual interest rate of the applicable reference rate such as SONIA in the case of sterling plus a margin that varies between 0.60% and 1.70% depending on the Group's net debt to EBITDA ratio. The credit facility will be replaced in Q4 2022.

Eddie Johnson
Chief Financial Officer

Risk Management

Operating in the current environment, it has never been more important to ensure that a rigorous and disciplined approach to risk management is embedded across our business. The success and sustainability of AMS is underpinned by our ability to identify, manage and mitigate those risks which may prevent us from delivering our mission and strategic plans.

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 48, and for determining the nature and extent of the significant risks it is willing to take in achieving our strategic objectives.

Risk Management continued

A robust methodology is used to identify key risks across the Group. This is a continuous process carried out in accordance with the relevant provisions set out in the UK Corporate Governance Code.

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.

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.

Emerging risks

Emerging risks are newly developing risks that cannot yet be fully assessed but that could, in the future, affect the viability of our strategy. We identify these risks by encouraging reporting of potential risks up the organisation and discussing them openly in a specific SMT Risk Review. We discuss whether critical assumptions underlying the strategy are becoming, or have become, invalid. Risks are then either managed within the organisation or elevated to the Risk Register for further discussion by the Board.

Key roles and responsibilities

Implementation and compliance responsibility →

Board

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

Audit Committee

- Assessing the effectiveness of the risk management processes adopted across the Group.
- Ensuring compliance with financial and reporting legislation, rules and regulations and ensuring the Annual Report is fair and balanced.
- Monitoring compliance with internal control systems and co-ordinating Internal Audit.
- Monitoring and oversight of internal and external audit.

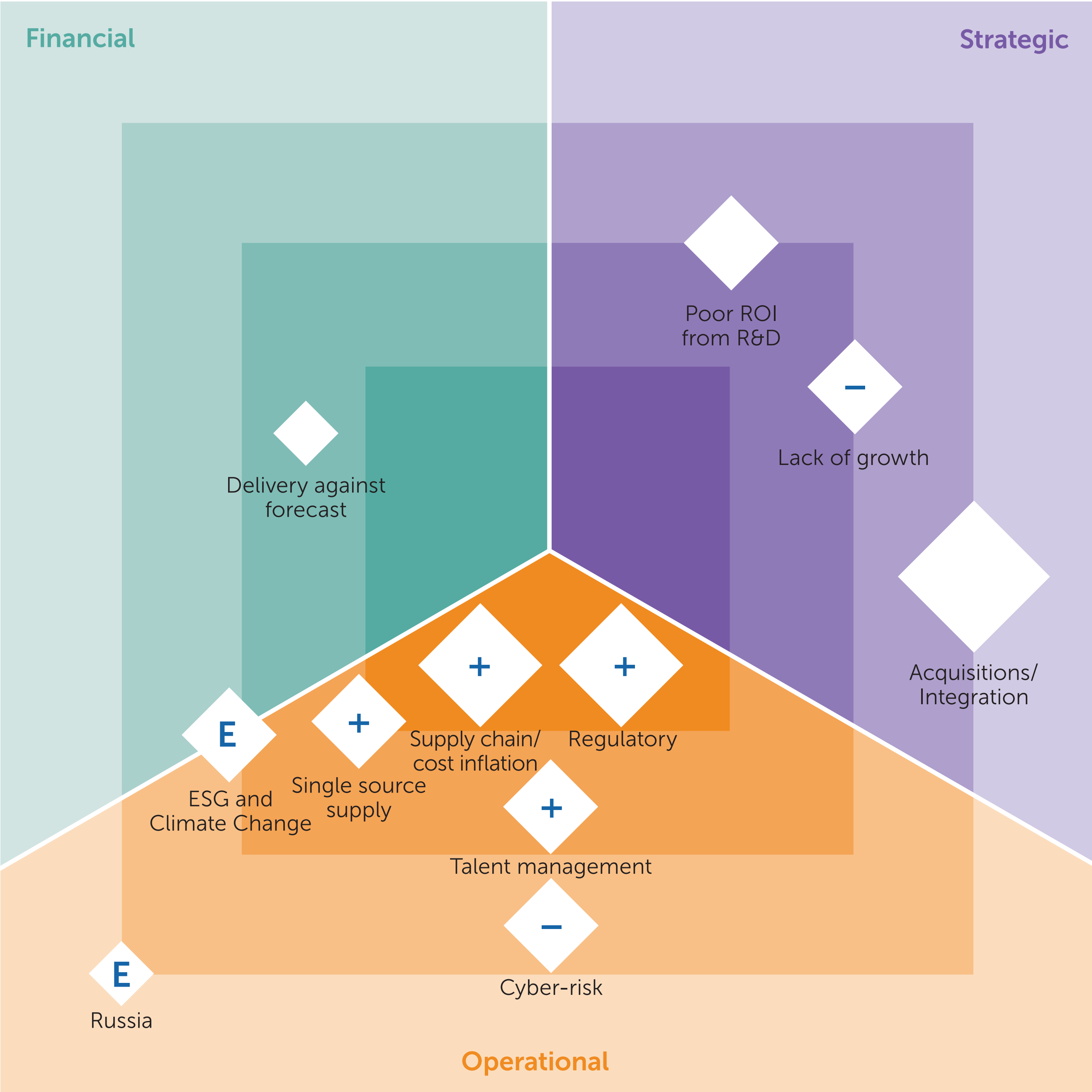
Senior Management Team

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

Business Units and Other Functions

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

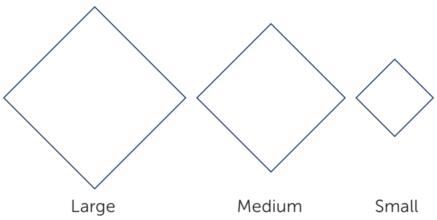
← Monitoring and reporting responsibility



Risk heat map – Principal risks

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

Risk Size



Likelihood

Trend (net position of risk vs 2020):

- + Increase from 2020
- – Decrease from 2020
- Static since 2020
- E Emerging risk

Risk Management continued

Strategic risks

Risk	Potential impact	Key controls and mitigating factors	Status
1 Lack of growth G	• Income shortfall. • Market capitalisation impacted. • Reduced profit. • Loss of competitive advantage. • Loss of key partners.	• Development and launch of new products to secure existing and new customers and drive future growth. • Making accretive synergistic acquisitions to help fuel growth. • 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 for poor performance. • Evaluation of opportunities to broaden reach into new markets or adjacent sectors and new product claims. • 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.	Strong pipeline and well positioned for strong growth as markets continue to recover. Active M&A screening process.
2 Poor return on investment from R&D G I	• 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.	• Focusing on unmet needs and large market opportunities. • Pipeline of new products/technologies identified to provide growth and differentiation. • Unique products protected by know-how, IP and 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. • Utilise licensing and outsourcing options.	No change
3 Making the wrong or no acquisition/poor integration G CI	• Impact on Group performance and market capitalisation. • Reputational loss.	• 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. • Internal resource being added to improve target mapping.	No change

Financial risks

Risk	Potential impact	Key controls and mitigating factors	Status
4 Delivering against forecast – internal accuracy G	• Loss of income. • Increased internal costs. • Shortfall in profit. • Market expectations missed. • Market capitalisation impacted.	• Demand forecasting software further improved in 2021. • Regular dialogue with investors, advisors and analysts. • Robust annual budget process, SMT and Board reviews and monthly pragmatic bottom up reforecasting. • Monthly demand review and SOP process evolved to ensure cross-functional alignment, content and process.	No change

Strategic linkage to risks

G Growth | I Innovation | CI Continuous Improvement | C Culture

Operational risks

Risk	Potential impact	Key controls and mitigating factors	Status
5 Supply chain/ cost inflation CI	• Inability to supply product. • Reduced demand for elective surgeries. • Loss of income. • Shortfall in profit. • Market expectations missed.	• Improved forecasting and forward planning. • Regular communication and forward-ordering with suppliers. • Business continuity plans and chain of command in place. • Contractual rights enforced with customers to minimise impact. • Recovery of cost inflation from customers during annual contract negotiations.	↑ Supply chain resilience under cost and logistical pressure.
6 Regulatory risk I	• Inability to supply product. • Product approvals and launches delayed. • Loss of product claims. • Loss of reputation.	• Stringent regulatory regime with an experienced team. • Clear regulatory strategy to manage MDR. • Additional resource for MDR assigned and ringfenced. • Strong regulatory pathway to gain approvals. • Work with partners and distributors to utilise local expertise. • Strictly controlled Quality Management System.	↑ Challenging MDR regulations and timeline.
7 Vulnerability to single source supply CI	• Inability to supply specific products. • Increased cost of supply and exposure to cost increases.	• Dual source key components wherever possible. • Strong Vendor Risk Assessment process. • Forward ordering and holding inventory prevent operational issues. • Business Interruption Insurance in place. • Working closely with suppliers and increasing audits.	↑ Regulatory requirements make alternative suppliers challenging.
8 Cyber-Risk G	• Systems and data compromised. • Financial loss. • Business interruption. • Loss of reputation.	• Implementation of audit and testing recommendations. • IT administrator access levels tightened. • Increased segregation of duties. • Cyber Security training for all employees. • Engaged consultants and achieved Cyber Essential Certification.	↓ Increased resource, mitigating actions and certification offset by increased global risk. (ransomware, Russia).
9 Talent management I CI C	• Loss of key staff. • Insufficient talent pool for succession planning. • Market conditions result in difficulty filling open roles.	• Succession and talent management processes. • 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 employee engagement and clarified mission and vision.	↑ Increased acceptance of remote working presents retention risks.

Emerging risks

Risk	Potential impact	Key controls and mitigating factors	Status
10 ESG & Climate Change G CI C	• Loss of reputation. • Lose customers and access to tenders. • Shareholders cannot invest. • Market capitalisation impacted.	• Developed ESG Framework and strategy. • Embedded ESG and our principles at the heart of the business. • Implemented ESG activities, including an ESG Steering Committee. • Engaged with external ratings agencies. • Maturity Assessment by internal auditor to support progress.	**NEW** Increased ESG and climate change expectations offset by significant ESG progress.
11 Russia G C	• Potential loss of approximately 1% of Group operating profit historically been provided by small legacy sales office in Moscow.	Ongoing review of all activities relating to Russia: • Reputational risk. • Payment risks. • Supply chain risks. • Employees in Russia.	**NEW** Increased due to conflict and sanctions.

The Strategic Report has been prepared solely to provide information for shareholders to assess how the Directors have performed their duty to promote the success of the Group and contains 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 5 to 51 was approved by the Board of Directors and signed on its behalf by:

Eddie Johnson
Chief Financial Officer
14 April 2022

Board of Directors

Peter Allen
Non-Executive Chairman

Chris Meredith
Chief Executive Officer

Eddie Johnson
Chief Financial Officer

	Peter Allen	Chris Meredith	Eddie Johnson
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), five years as Non-Executive Chairman at Diurnal plc (2015-2020) and nine years as Non-Executive Chairman of Clinigan Group plc. He is a qualified Chartered Accountant.	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.	Eddie Johnson joined AMS in October 2011. He was appointed Group Financial Controller in November 2012 and became Chief Financial Officer in January 2019. 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 Norcros plc and Western European Financial Controller for Sumitomo Electrical Wiring Systems.
Term of office	Peter Allen was appointed to the Board in December 2013 and as Non-Executive Chairman in January 2014.	Chris Meredith was appointed to the Board in April 2006.	Eddie Johnson was appointed to the Board in January 2019.
External appointments	Peter Allen is currently the Non-Executive Chairman of AIM listed Abcam plc, together with Oxford Nanopore Technologies plc and Istesso Limited.	Chris Meredith was appointed Chairman of Arterius, a UK based pre-commercial, none competitive medical device company, in January 2022. He left his role as a Non-Executive of Creavo Medical Technology Ltd in November 2021.	None.

Penny Freer

Senior Independent
Non-Executive Director

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.

Penny Freer joined the Board in March 2010 as Senior Independent Non-Executive Director.

Penny Freer is Chairman of AP Ventures LLP a global venture capital fund. She is also a Non Executive Director of Empresaria Group plc and Chairman of Crown Place VCT plc and of The Henderston Smaller Companies Investment Trust.

Grahame Cook

Non-Executive Director

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.

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

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.

Douglas Le Fort

Non-Executive Director

Douglas Le Fort has more than 20 years of senior executive leadership, with expertise in business strategy, operational management and M&A. Most recently, he was CEO of MedTrade Products, a woundcare products business and prior to that served in various senior executive roles at ConvaTec Group plc, including five years on the Executive Committee for the Group. At ConvaTec he was Senior Vice President for Corporate Development, and prior to that Vice President and General Manager with P&L responsibility for the global Ostomy business. He has an MBA from Henley Management College and is a Chartered Management Accountant.

Douglas Le Fort was appointed as a Non-Executive Director in August 2021.

Douglas Le Fort is currently an Operating Partner for Revival Healthcare Capital Partners, an investor in medical device and diagnostics businesses, as well as a Non-Executive Director at Trio Healthcare, a manufacturer of ostomy products.

Committee membership key

A Audit Committee
R Remuneration Committee
N Nomination Committee
Committee Chair

Senior Management Team

In addition to the CEO and CFO, the SMT consists of Business Unit and functional heads committed to long-term sustainable growth

Simon Coates
IT Director

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. Prior to joining AMS he was Worldwide IT manager at Whitford Plastics Ltd, a manufacturer of fluropolymer coatings, supporting them through a period of rapid growth, managing multiple sites and key IT projects including ERP implementation.

Simon was appointed to the Senior Management Team in 2015.

Rose Guang
Vice President – Regulatory, Quality and Clinical

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

Rose is also a Six Sigma Master Black Belt.

Ross McDonald
Business Unit Director, Surgical

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 direct and distributed sales functions, both in UK Sales, before taking on responsibility for the European Woundcare Business. In 2012 he relocated to the US and as National Sales Manager Americas 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

Cathy Tomlinson

Group HR Director

Becky Walmsley

Business Unit Director, Woundcare

Owen Bromley

Company Secretary

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 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 (MBA) at Strathclyde University. She spent five years working for Amazon and was head of HR for their final mile delivery business, 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.

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 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

An enhanced focus on ESG within our governance framework

We continue to review and improve our corporate governance arrangements, to ensure they remain robust, fit for purpose and support our long-term strategic interests.

Dear Shareholder,

On behalf of the Board, I am pleased to present the Corporate Governance Report for the year ended 31 December 2021. This year has seen a focus on our ESG strategy alongside a continued emphasis on compliance with corporate governance requirements. Our Remuneration Committee Report on pages 69 to 80 outlines how we have engaged with shareholders regarding attracting and maintaining talent to continue the success of AMS. We believe that our revised Remuneration Policy reflects those views alongside good corporate governance principles.

The Board believes that shareholder engagement and strong corporate governance are critical to the success of our strategy outlined on pages 10 to 19, and to delivering long-term, sustainable shareholder value.

Changes to the Board and succession planning

In 2021 we continued to refresh the composition of Non-Executives on the Board with extensive searches leading to the appointments of Grahame Cook and Douglas Le Fort to the Board.

Penny Freer will retire from the Board at the 2022 AGM. The Board would like to thank Penny for her significant contribution to the success of AMS over the last twelve years. The Report of the Nomination Committee on pages 62 to 64 details the work we have done to continue with the Board refreshment and how we will give regard to diversity with the ongoing refreshment process.

Corporate Governance

We choose to comply with the UK Corporate Governance Code (Code) as far as is practicable and appropriate for a public company of the Group's size. We remain committed to maintaining high standards of corporate governance which is key to generating shareholder value, protecting stakeholders interests and long-term sustainable growth. A breakdown of our compliance with the Code can be seen on page 60 and on our website at **www.admedsol.com**.

The Code reinforces the need to understand the views of our stakeholders and consider these as part of our decision making. This has remained a focus of the Group for 2021, highlighted by our revised Remuneration Policy. Details of how we engage with our stakeholders are set out on pages 26 to 31.

Environmental, Social and Governance (ESG)

ESG is a focus area for our stakeholders and we have devoted significant time and resource to our ESG strategy during 2021. We have developed an ESG framework which allows us to make progress in ESG over future years. The Board have begun work to define our Pathway to Net Zero. Details of our ESG framework and how it will be applied by the Group is set out on pages 32 to 43. During the year, we conducted an employee engagement survey and improved communication of our Vision and Mission, which continued in 2022.

Recognition and looking forward

It has been another challenging year with COVID-19 disruption, albeit at a lower level than the first wave in 2020. On behalf of the Board I would like to express my appreciation for the dedication, hard work and adaptability of all of our colleagues in 2021.

Despite the ongoing challenges, we have taken significant steps to progress our strategy and I strongly believe that AMS remains well positioned to take advantage of opportunities as they arise. During the coming year, in addition to further strengthening our corporate governance, the Board will focus on:

- Supporting the Group during the continued transition back to a normal way of doing business following the disruption of the pandemic.
- Supporting the management team with the refinement and implementation of our ESG strategy.

Peter Allen
Chairman
14 April 2022

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 nine times during the year. All meetings were held in the UK or by video conference. The Directors' attendance is shown (table to the right).

Board member	Board	Audit Committee[1]	Remuneration[1] Committee[1]	Nomination Committee
Peter Allen	9/9	3/3[1]	4/4	4/4
Grahame Cook[2]	9/9	3/3	4/4	4/4
Penny Freer	9/9	3/3	4/4	4/4
Eddie Johnson	9/9	3/3[1]	3/4[1]	4/4[1]
Douglas Le Fort[3]	3/3	2/2	2/2	2/2
Chris Meredith	9/9	3/3[1]	4/4[1]	4/4
Steve Bellamy (retired 8 June 2021)	5/5	1/1	1/1	n/a

1 Invited.
2 Appointed as Non-Executive Director on 1 February 2021.
3 Appointed as Non-Executive Director on 2 August 2021.

As part of the focus on key stakeholders, the Board has spent significant time discussing ESG in 2021. This has resulted in the development of our ESG Framework which can be seen on page 33 in our ESG Report. Penny Freer was appointed as the designated Non-Executive Director for workforce engagement in 2020 and there was increased engagement with employees in 2021, with a group wide engagement survey, CEO video conferences with each site and regular updates from our COVID-19 Committee despite some aspects of physical workforce engagement being restricted due to COVID-19. Management have regularly updated the Board on employee engagement throughout the year. The engagement score in our 2021 employee engagement survey indicates a high overall level of satisfaction in the workforce and in 2022, we will be focusing on proactive ways to further increase this.

As in previous years, the implementation of strategy has been an area of focus in our Board meetings. The Executive Directors have provided regular updates, allowing the Board to be informed of our view on the successes and challenges throughout the Group and review future direction through five-year strategic plans. In the current regulatory environment there has been significant focus on the Medical Devices Regulation (MDR). We have also engaged directly with our significant shareholders on ESG, Remuneration Policy and Board refreshment. Details of our principal risks are set out on pages 50 to 51. 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 2021 are set out on page 59.

Board activities and the governance, culture and mission influences

The UK Corporate Governance Code

Risk management

Monitoring the performance of the business

Setting strategy

Approving business plans and budgets

Our culture – Care, Fair, Dare

External influences

Board activities

Internal influences

The AIM Rules

Considering and communicating with stakeholders

Overseeing corporate culture

Considering strategic acquisitions

Considering strategic disposals

Our mission – Develop, Make a real difference, Add value

Vision

A world where the outcome of every patient can benefit from our products and a company where every employee feels invested and valued

Corporate Governance Report continued

2022 AGM

In 2022, we will put forward all Directors for re-election in accordance with Code Provision 18, with the exception of Penny Freer who will retire from the Board. No Non-Executive Director other than Penny Freer has a tenure of more than nine years, the limit outlined in Code Provision 10.

Peter Allen and Penny Freer own shares in the Company as shown on page 79. 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.

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

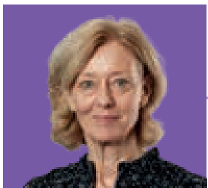
Peter Allen

- 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 to the right).

Non-Executive Directors

Grahame Cook, Douglas Le Fort

- 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.

Matters considered by the Board in 2021 included:

Continuing impact of the COVID-19 pandemic.	Group delegation of authority policy
Environmental, Social, Governance (ESG).	Risk review including disaster recovery and business interruption.
Impacts of Brexit.	Major capital expenditure including an expansion of our Plymouth manufacturing site.
Strategic plans, including five-year review.	MDR and regulatory pathways.
Vision, mission and values.	Finance and operations review.
Dividend policy.	Board evaluation and Board support.
Acquisition strategy including potential acquisition targets and valuations.	Reports from the Board Committees.
Health and Safety.	Annual budget, results, forecast updates.
UK Corporate Governance Code compliance.	Organisation and senior management structure.
Board refreshment.	Shareholder base and investor engagement.
Directors' responsibilities.	Registrar and share scheme structure and administration.

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 information about the Group.

The Non-Executive Directors

Each of the Non-Executive Directors is free from any relationship with the Executive Management 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. 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, and the Group's delegation of authority policy was reviewed and updated within the year to ensure it continues to align with best practice. The Board performs its responsibilities through an annual programme of meetings and by continuous monitoring of the performance of the Group.

Board Committees

The Board has delegated authority to the Audit, Remuneration and Nomination Committees. Penny Freer, Grahame Cook and Douglas Le Fort 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 on pages 52 and 53 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 open debate 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. Details of how the Nomination Committee managed the process for appointing Grahame Cook and Douglas Le Fort can be found on page 64.

Diversity

We recognise the importance of diversity at Board level. The Board has a wide range of skills and experiences from a variety of business backgrounds. The female Board representation at 31 December 2021 was 16.7%. The Hampton-Alexander target (33%) is considered during the succession planning process.

The SMT also has diverse experience. It is comprised of several nationalities and female representation is 43%. Our Group Equality, Diversity and Inclusion (EDI) Policy ensures diversity is considered at all levels and across the Group. We took initial steps to further engage with employees on EDI through 2021 and launched an EDI Committee in early 2022 which reports into the ESG Steering Committee. We continue to take steps to further promote diversity amongst our employees at all levels.

Corporate Governance Report continued

Compliance with the UK Corporate Governance Code

As a large AIM quoted company, AMS has chosen to follow the Code and is compliant in the majority of areas. The Company does not comply with Provision 36 (formal policy for post-employment shareholding), as there is no policy in place at this time and Provision 38 (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 will review this for any new appointments. Whilst we comply with the objective of Provision 31, we do not prepare a formal viability statement as we believe that the information provided on Going Concern and elsewhere in the Annual Report satisfies the Provision.

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. Notwithstanding such three-year terms, all Non-Executive Directors are proposed annually to shareholders for reappointment in accordance with best practice. 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 69 to 80 and the full terms and conditions of appointment of the Non-Executive Directors are available at the Company's Registered Office.

Tenure chart

	Date of appointment	1	2	3	4	5	6	7	8	9	10+	Date of election or next re-election
Peter Allen	4 December 2013											8 June 2022
Grahame Cook	1 February 2021											8 June 2022
Penny Freer	1 March 2010											Retiring at AGM
Eddie Johnson	1 January 2019											8 June 2022
Douglas Le Fort	2 August 2021											8 June 2022
Chris Meredith	11 April 2006											8 June 2022
Steve Bellamy	1 February 2007											Retired in 2021

The Board was comprised of either five or six members throughout 2021. The Board tenure is shown below.

Induction and professional development

Each New Director is 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. Further details on the induction can be found in the Nomination Committee Report on page 63.

Training and development needs of Directors are reviewed regularly. The Directors are kept appraised of developments in legal, regulatory and financial matters affecting the Group by the 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, with the Company paying for such advice. 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 Committee Chair's annually and more detail on this evaluation is set out in the Report of the Nomination Committee on page 64.

Audit, Nomination, and Remuneration Committees

The Committee Reports can be found on pages 65 to 68, 62 to 64 and 69 to 80 respectively.

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. The Directors are confident the business can withstand the challenges and is a going concern, due to the significant headroom available.

With regard to the Group's financial position, it had net cash at the year-end of £73.0 million (2020: £53.8 million) and an undrawn, unsecured £80 million credit facility provided jointly by NatWest and HSBC which will be renewed before its end date of December 2022.

Demand for the Group's products is strong as levels of elective surgery and wound treatment volumes continue to rebuild towards pre-pandemic levels with contracts in place with customers such as government agencies and global healthcare companies across different geographic regions who have substantial financial resources.

The Group is closely monitoring the global supply chain crisis and striving to mitigate its impacts by holding higher levels of critical raw materials and forward planning as much as possible and the impacts from the Omicron COVID-19 variant are expected to be less severe than previous variants due to high vaccination rates, the generally milder symptoms and the resultant lower strain on healthcare systems.

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 69 to 80.

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 26 to 31.

During the year we engaged significantly with shareholders regarding proposed updates to our Remuneration Policy. Details of this engagement process and the resulting proposed updates to our Remuneration Policy are outlined in the report of the Remuneration Committee on pages 69 to 80.

The Notice for the Annual General Meeting is sent to shareholders at least 20 working days before the meeting.

The AMS website 'www.admedsol.com' is regularly updated and provides additional information on the Group including information on the Group's products and technology.

Annual General Meeting

The 2022 AGM will be convened at 11.00am on the 8th June 2022. We are currently hopeful that the 2022 Annual General Meeting will not have any COVID-19 specific restrictions on attendance and participation, but this will be kept under review and we shall follow Government guidelines and best practice at all times. 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 AMS website 'www.admedsol.com', 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.

Nomination Committee Report

Good progress in strengthening the Board for future challenges

The Committee has focused on succession planning and developing its plans for orderly and progressive Board refreshment.

Dear Shareholder,
As Chair of the Nomination Committee, I am pleased to present the Committee's report for the year ended 31 December 2021. The report outlines the Committee's work to fulfil our responsibilities for reviewing Board composition and balance, considering the skills and capabilities required for each new Board appointment, leading the process for the Board in relation to new appointments and reviewing succession planning for the Board and senior management. The Committee continues to perform this with utmost professionalism and diligence.

The Committee met four times during the year and was chaired by myself, with Penny Freer as the other Committee member who was in place throughout the year. 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. Steve Bellamy left the Committee following his retirement at the 2021 AGM. Grahame Cook and Douglas Le Fort were appointed as Non-Executive Directors on 1 February and 2 August 2021 respectively and were appointed to the Committee immediately.

The Committee remains focused on this programme of Board refreshment and Penny Freer will not put herself forward for re-election at the 2022 AGM. The Committee is following the process of Non-Executive Director recruitment outlined on page 64, taking into account the Hampton-Alexander report and our commitment to equality and diversity. We will report to shareholders on the outcome of this recruitment process once it is complete and ensure that there is a smooth and effective handover for Penny's responsibilities as Chair of the Remuneration Committee and Senior Independent Director.

I continue to believe that the actions we are taking will ensure that the Board's size and composition is appropriate for a Group of AMS' size, complexity and nature and will put us in the best possible position to drive long-term sustainable growth for the benefit of our stakeholders. We are pleased with the progress made in 2021 and that AMS continues to attract great people.

Peter Allen
Chair of the Nomination Committee
14 April 2022

Attendance record and tenure in 2021

Member	Number of meetings held during the year	Number of meetings attended	Committee tenure
Peter Allen (Chair)	4	4	8 years
Grahame Cook (joined 1 February 2021)	4	4	11 months
Penny Freer	4	4	12 years
Douglas Le Fort (joined 2 August 2021)	2	2	5 months
Chris Meredith	4	4	11 years
Steve Bellamy (retired in June 2021)	0	0	15 years

Board changes in the year

The Committee oversaw a rigorous recruitment process for a Non-Executive Director to take over as Audit Committee Chair. We were delighted to welcome Grahame Cook to the Board on 1 February 2021. His appointment followed an extensive search which the Chairman led with an executive search consultancy, Dzaleta Consulting, who specialise in Life Sciences. A shortlist of candidates were interviewed by all members of the Board.

Grahame is a Chartered Accountant and was an investment banker for 18 years, focusing on global equity capital markets, M&A and corporate advisory. For the past 18 years, he has been a Non-Executive Director, most recently with Horizon Discovery plc and Morphogenesis Inc, and Chairman of Sinclair Pharma plc. He brings significant financial experience, knowledge of the healthcare sector and his experience of driving significant value creation at healthcare companies will be invaluable in the next stage of AMS's growth.

Following Grahame's appointment the Board assessed their composition, skills and experience and decided it would be beneficial to make a further appointment to provide additional sector specific commercial knowledge and market intelligence. Douglas Le Fort was short-listed during the recruitment process for Grahame and having completed interviews with all members of the Board, was appointed on 2 August 2021.

Douglas has expertise in business strategy, including commercial business execution, operational management and M&A. He is an Operating Partner for Revival Healthcare Capital Partners, an investor in medical device and diagnostics businesses, as well as a Non-Executive Director at Trio Healthcare, a manufacturer of ostomy products. Most recently, he was CEO of MedTrade Products, a woundcare products business and prior to that served in various senior executive roles at ConvaTec Group plc, including five years on the Executive Committee for the Group. He has an MBA from Henley Management College and is a Chartered Management Accountant.

Board members were unanimous in appointing both Grahame and Douglas. Following their appointments they received a comprehensive and tailored induction programme to enhance their knowledge and understanding of the Company's business, strategy and governance structure, as well as their own duties and responsibilities. They spent time with the Executive Directors, Non-Executive Directors, Senior Management Team, Company Secretary and other key personnel. They also received a briefing on their role and duties as a Director of a publicly traded company from external advisers.

Non-Executive Director appointment process

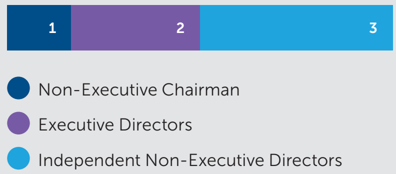
Board composition is central to the effective leadership of the Group and therefore prior to commencing any search for prospective Board members, the Committee draws up a specification, reflecting on the Board's current balance of skills and experience and that will promote diversity on the Board, including gender, social and ethnic backgrounds, cognitive and personal strengths, and those that would be conducive to the delivery of the Company's strategy. Selection for Board appointments is made on merit against this specification. We have again appointed a search consultancy to support this process.

Gender diversity

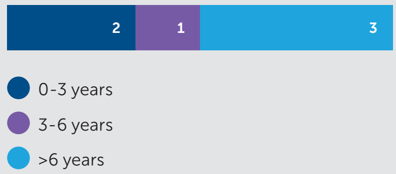
Following the Board changes in the year, female representation on the Board stands at 16.7%. AMS continues to see the development of female executive talent as important, which is reflected in the increased female representation in the Senior Management Team (50%).

Penny Freer will retire from the Board at the 2022 AGM and our commitment to equality and diversity will be a key part of the recruitment process.

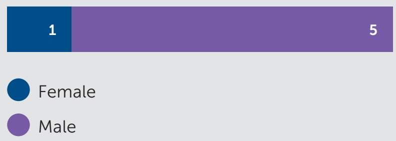
Board composition



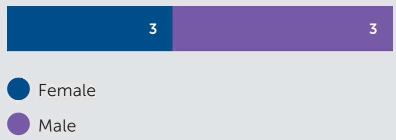
Board tenure



Board gender diversity



Senior Management Team gender diversity



Nomination Committee Report continued

Activity in the year

The Committee has been focused on the appointment of Non-Executive Directors to implement our programme of Board refreshment and inducting and onboarding those appointed. We have appointed Dzaleta Consulting for all executive searches in 2021 and 2022. Dzaleta Consulting has no connection with AMS or any individual Directors, other than having provided Executive search services for prior AMS Board appointments.

We undertook a Board Evaluation and Committee Self-Assessment during 2021. The overall findings from the effectiveness reviews concluded that AMS' Board, Committees and individual Directors continue to operate effectively and the Board actively discussed any recommendations arising out of the evaluations.

Priorities for 2022

The Committee will support the appointment and onboarding of at least one new Non-Executive Director. In addition, we will continue to assess the support required to develop the Senior Management Team and potential succession internally, as well as the activity to drive a broader equality, diversity and inclusion action plan.

Appointment process

SCOPING

Nomination Committee discussion

(Both scheduled and ad hoc meetings include Executive Directors where appropriate)

Considerations

- **Identification of a vacancy**
- **The needs of the organisation, currently and in the future**
- **The personal skills and qualifications required**
- **The dynamics of the current Board**

Appointment of an Executive Search Consultancy

Considerations

- **Market reputation**
- **Reach**
- **Understanding of the AMS culture, mission, vision and values**

SEARCH

Production of a long list

Considerations

- **Skillset**
- **Experience**
- **Gender, ethnicity and background**

Production of a short list

Considerations

- **Specific skills**
- **Experience**
- **Potential for overboarding**

APPOINTMENT

Nomination Committee recommendation to the Board

Considerations

- **Due diligence findings**

POST APPOINTMENT

Induction programme

Considerations

- **Directors duties and responsibilities**
- **Familiarisation with the business**
- **Meetings with key employees**

Audit Committee Report

Governance and risk management play a key role in supporting delivery of our long-term strategy

Dear Shareholder,
As Chair of the Audit Committee, I am pleased to present the Committee's report for the year ended 31 December 2021. This report highlights the work done by the Committee in the year, to fulfil our responsibilities to shareholders and other stakeholders and assist the Board in providing effective governance over the Group. In meeting these responsibilities, the Committee continues to reflect the provisions of the 2018 UK Corporate Governance Code, FRC Guidance for Audit Committees and other best practice.

Strong governance of audit and risk management is critical to the Group, to allow it to deliver the strategy outlined in further detail through our Strategic Pillars in the Our Strategy section on pages 10 to 19.

The impacts of the pandemic including global supply chain disruption have highlighted the importance of the Committee's role and the need for robust internal controls and risk management systems to ensure that the Group remains resilient in the face of change, while remaining operationally agile and adaptable. The Committee has been ably supported during the year, by our external auditors, Deloitte and our internal auditors, RSM.

I took over the Committee Chair position following Steve Bellamy's retirement at the 2021 AGM. Penny Freer was a member of the Committee throughout the year, with Douglas Le Fort becoming a member of the Committee on his appointment as a Non-Executive Director on 2 August 2021. The Chairman, Peter Allen, commonly attends meetings of the Committee as his accounting background and general experience is valuable to the Committee.

The Committee met three times in 2021. In addition, there were a number of ad hoc meetings with the external and internal auditors. I am confident that the Committee is well-balanced, with the necessary skills and experience to perform its critical oversight and governance function within the Group.

Looking ahead, the Committee will continue to monitor the potential impact of the pandemic and global events on our financial performance whilst maintaining a focus on internal controls and our risk management approach.

Grahame Cook

Chair of the Audit Committee
14 April 2022

Attendance record and tenure in 2021

Member	Number of meetings held during the year	Number of meetings attended	Committee tenure
Grahame Cook (Chair – joined 1 February 2021)	3	3	11 months
Penny Freer	3	3	12 years
Douglas Le Fort (joined 2 August 2021)	2	2	5 months
Steve Bellamy (retired in June 2021 at the AGM)	1	1	15 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 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 provided by the external auditor and fees for such services.
- 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 2021.

Audit Committee activities

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

Topic	2021 main activities and key areas of focus
Financial Statements and Reports	• Reviewed and approved the External Audit fees for 2021. • Reviewed the annual and half-yearly financial reports and related statements. • Assessed key accounting judgements, including the number of cash generating units, capitalisation of development and recertification costs and the impact of COVID-19. • 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. The Committee considered a wide range of information relating to present and future projections of profitability, cash flows, capital requirements and capital resources. These considerations include stressed scenarios that reflect the uncertainty that COVID-19 may have on the Group's operations. The statement to be made by the Directors was considered and it was concluded that the Group and Parent Company will be able to continue in operation and meet liabilities as they fall due, and that it is appropriate that the long-term viability statement covers a period of at least 12 months beyond the date of the Financial Statements. – Assessed risk management, risk appetite, internal controls, the risk and control reporting structure and the ongoing process to monitor the principal risks of the Group. As part of these reviews, consideration has been given to the ongoing impact of COVID-19. – Reviewed changes to the Group's Cash Generating Units (CGUs), to reduce the number from five to two to better align to how the Group now operates, including consideration of the impact of this change on impairment modelling. A summary of the rationale for reducing the number of CGU's was received and challenged and proactive communication of the proposal was made to the External Auditors to ensure that the change was appropriately considered by all parties. Key inputs and methodologies used in the Impairment testing was received and challenged, with a key focus on the cashflows included within the forecasts and the discount rates used. The Committee also challenged management's key judgements and considered the reasonableness of the outcomes as a sense check against the business forecasts and strategic objectives of the Group. – The Committee considered and challenged management's judgements relating to the capitalisation of development and recertification costs including the relevant amortisation period. Summary information is provided to the Committee before a decision is taken whether to capitalise significant new projects.

External Audit	• Monitored the independence and ensured the objectivity of the External Auditor, approved the Audit Plan for the 2021 audit, reviewed the performance of the External Auditor, considered the re-appointment of Deloitte LLP as auditor for 2022 and recommended their re-appointment to the Board. In line with Best Practice as the incumbent Audit Partner has served five years a new Audit Partner will commence in April 2022.
Internal Audit	• Continued the rolling internal audit plan from RSM, including reports on treasury and cash management, post-Brexit and VAT customs treatment and on business continuity and disaster planning.
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 was undertaken in December 2021 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. It is agreed that the External Auditor will generally not be considered for external due diligence type support, but that any non-audit services would typically be assurance related. 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.

The Audit Committee provides effective governance over the Group's internal controls, financial reporting and risk management, to give assurance to shareholders and other stakeholders that their interests are protected.

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 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 provided by the external auditor and fees for such services.
- 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 2021.

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. OEPI rules prevent the External Auditor from performing due diligence. The Committee's view is that any non-audit service performed by the External Auditor should be assurance related, where there is limited scope for such conflict.

Audit Committee Report continued

There was one project in 2021 where expenditure exceeded the £10,000 threshold for approval by the Committee, which was the £31,500 fee for audit related assurance services relating to the review of the Interim Statements, which is a permitted service. The Company's policy on non-audit services complies with the FRC's 2019 Revised Ethical Standard.

Deloitte LLP has been the External Auditor for 14 financial years. A performance, effectiveness and independence evaluation led 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. RSM report directly into the Committee, to avoid undue influence from management, and focuses on areas of potential risk and process improvement. As noted in last year's Committee Report, a two year Internal Audit Plan with RSM was agreed in December 2020 to cover 2021 and 2022. The Committee:

- Ensures the function has the necessary resources, independence and access to information, employees, the Board and the Committee Chair's 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 as appropriate. RSM attends Committee meetings twice a year and provides an update in writing ahead of each meeting.

In 2021 the Internal Auditor undertook a series of reviews in line with the Internal Audit Plan agreed in December 2020. These reviews led to RSM reporting to the Committee on:

- Treasury and cash management controls.
- Post-Brexit and VAT Customs, following the end of the transition phase for the UK leaving the European Union on 31 December 2020.
- Business continuity and disaster recovery, including evaluating the ongoing impact of COVID-19 on the Group's business processes, systems and resources.

These reports highlighted to the Committee that, although the Group's internal controls generally give very good assurance, there are some specific non-critical improvements that could be made within the Internal Controls Framework and Risk Management Strategy. These have now been implemented.

This Framework and Strategy is updated regularly and is available on the Company's Intranet. Policies are updated and formally approved by the Committee at least once a year, including where necessary to give the Committee stronger assurance about areas of key risk.

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 has a schedule of matters reserved for its consideration which includes potential acquisitions, significant capital projects, appointment of senior management, 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, half-year and 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. These levels were comprehensively reviewed by the Board and the Committee during the year, with an updated authorisation matrix issued to the Group in January 2022.
- An Enterprise Resource Planning (ERP) system, with in-built controls over process and authority, minimising manual intervention, is in place in the UK, the Netherlands and Germany, with equivalent systems in other jurisdictions.
- The Group operates a 'Whistleblowing' Policy enabling individuals to report any concerns to Senior Management or the Board. This policy allows for reporting to be made on a confidential basis if necessary.

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 Committee Report

Attracting, motivating and retaining strong talent is absolutely critical to delivering the Group's strategy

Dear Shareholder,
I am pleased to present the Remuneration Committee Report for the year ended 31 December 2021. The Committee was made up of myself and Peter Allen throughout the year. Steve Bellamy was a member until his retirement at the 2021 AGM. Grahame Cook and Douglas Le Fort were appointed as Non-Executive Directors on 1 February and 2 August 2021 respectively and were appointed to the Committee with immediate effect. The Committee formally met four times during 2021.

The Committee's role is to ensure that our Remuneration Policy is appropriate for a successful, growing business with the size and profile of AMS, reflecting the need to engage the right calibre of employees to deliver our strategy in a complex and challenging economic and regulatory environment.

The Board and the Committee take governance seriously and we remain committed to high standards of corporate governance, putting this report to an advisory vote each year at the AGM. During the year I, and other members of the Board, have engaged with the Group's largest institutional investors and proxy voting agencies on various governance matters, including remuneration.
We proposed a number of changes to our Remuneration Policy, designed to ensure that we are able to attract, motivate and retain the talent we need to deliver on the Group's strategy. We took account of the balance of feedback received and this Remuneration Policy reflects the result of the engagement.

A resolution will be put to shareholders at the AGM on 8 June 2022 asking shareholders to consider and approve this Report.

As I will be retiring from the Board at the 2022 AGM, it is expected that Douglas Le Fort will take over as Chair of the Committee. Douglas has been working closely with me since he joined the Committee in 2021.

Penny Freer
Chair of the Remuneration Committee
14 April 2022

Aligning our Remuneration Policy to reflect the views of our shareholders, whilst supporting the Group to deliver long-term, sustainable growth.

Attendance record and tenure in 2021

Member	Number of meetings held during the year when the Director was a member	Number of meetings attended	Committee tenure
Penny Freer (Chair)	4	4	12 years
Peter Allen	4	4	8 years
Grahame Cook (joined 1 February 2021)	4	4	11 months
Douglas Le Fort (joined 2 August 2021)	2	2	5 months
Steve Bellamy (retired in June 2021)	1	1	15 years

Remuneration Committee Report continued

Remuneration for 2021

The annual bonus awards and Long-Term Incentive Plan ('LTIP') vesting in 2021 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 three financial targets of which threshold was only met for two (Revenue, Adjusted PBT and EPS – accounted for 85% of the total bonus) and personal objectives accounted for 15%. In view of performance, the Committee determined:

- Revenue of £108.6m was below the threshold figure (£110.3m).
- Adjusted PBT of £25.6 million was in line with the threshold figure (£25.6 million).
- EPS of 9.66p was above the threshold figure of (9.47p).
- Personal objectives are linked to corporate, financial, strategic and non-financial objectives (see page 76). The Committee determined these objectives were met in full.

LTIP

LTIPs awards granted to Chris Meredith and Eddie Johnson in April 2018 were due to vest in 2021 with performance criteria and weightings as follows:

- TSR (50%) – the performance period ended on 12 April 2021. The Company ranked below the median (44th out of 63 comparators) which resulted in a vesting of 0%.
- EPS (50%) – the growth in EPS was calculated over the three financial years to 31 December 2020. The average annual growth was -13.27%, below the threshold level of 5% which resulted in a vesting of 0%.
- Overall across both elements the final vesting result was 0%.

The Committee believes these outcomes were not a fair reflection of Group performance over the vesting period and that the Executive Directors performed well, in particular when managing the impact of COVID-19. Despite this the Committee did not use discretion and maintained a Nil vesting.

Implementation of Remuneration Policy in 2021

The Committee undertook a review of the Remuneration Policy ('Policy') in 2021: we reviewed salaries; the bonus scheme; the LTIP; and engaged with significant shareholders to seek feedback. As a result of this review and shareholder engagement we have made the following changes:

Chris Meredith's salary was increased from £307,545 to £350,000 (an increase of 14%), to bring him into line with the market median for CEOs of comparable AIM listed companies. Eddie Johnson's salary was raised from £174,000 to £210,000 (an increase of 21%). This increase brings Eddie's salary to around the 25th percentile for equivalent CFOs, and it is expected that his salary will continue to increase over time as he gains experience in the role, dependent on his future performance. These changes both took effect from 1 July 2021.

The Committee also reviewed the format of the Executive Directors' annual bonus scheme, and proposed certain changes to this scheme to better enable the Committee to incorporate key non-financial objectives (such as ESG targets) into the Executive Directors' bonus targets. From 2022 Eddie Johnson's maximum bonus potential is to be increased to 100% of salary (up from 75%), to bring him in line with the market median for CFO bonus potential. At the same time, the Committee has agreed that Senior Management Team bonus potential should increase from 50% to 75% of salary. Consequently, in 2022 the annual bonus scheme applying to Executive Directors will be as follows:

- Annual bonus opportunity shall be 150% for Chris Meredith and 100% for Eddie Johnson. 70% of the total bonus will be based on stretch revenue and adjusted PBT targets (35% for each). The formal EPS target has been removed. The balance of 30% will be based on personal objectives (including specific ESG targets) where exceptional achievement may result in the award of a bonus even if financial objectives have not been achieved.

Finally, a review of the LTIP resulted in an increase in Eddie Johnson's maximum award from 100% of salary to 125% of salary. Chris Meredith's maximum award remains at 200% of salary.

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 and clawback provisions and share ownership guidelines (Executive Shareholding Policy).

In consideration for the changes highlighted elsewhere in this Remuneration Policy, and in order to comply further with the Code, specifically Provisions 36 (share awards granted for Executive Directors should be subject to a total vesting and holding period of five years or more) and 37 (remuneration schemes should include provisions that would enable the Company to recover and/or withhold sums or share awards), the Committee has agreed that the structure of LTIP awards will change from 2022 onwards. These will now be subject to a total vesting and holding period of five years (three years vesting plus two additional years holding), in line with the Code and the trend for FTSE main market companies. Both deferred bonus and LTIP awards will also contain malus and clawback provisions.

Full details of the share schemes offered to the Executive Directors can be found on page 74. Provision 38 of the Code 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 Policy the Committee is aware of the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture. We believe that these requirements are met as follows:

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.

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 structure is 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 in extreme circumstances.
- Malus and clawback provisions operate in the LTIP and Deferred Annual Bonus plan (DAB) allowing payments to be adjusted or withheld, and LTIP awards now include a market-standard vesting and holding period totalling five years.
- 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. The change to 2022 annual bonus requirements is intended to further ensure that the Executive Directors take account of and reflect these values (including ESG strategy) in their roles, over and above pure financial performance. 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.

On behalf of the Board the Committee, in consultation with the Chief Executive Officer, determines the policy for Directors remuneration and setting remuneration for the Company's Chair and Executive Directors and Senior Management, including the Company Secretary, and recruitment at SMT level or for other senior role where shares are included in the joining package.

The Committee administers the share option schemes, determines the design of performance-related pay schemes, sets targets and approves payments 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 2021 were:

Month	Principal Activities
February	• Review of 2020 personal objectives and implications for bonus and Deferred Annual Bonus awards. • Discussion on 2021 personal objectives for the Executive Directors and review of 2021 corporate objectives. • Review of 2021 LTIP and share option awards for 2021 (Executive Directors, SMT and key employees). • Review of LTIP Scheme and how this combines with the bonus. • Review of Gender Pay Gap Report. • Decision to run the Deferred Share Bonus Scheme twice in 2021 (April and October).
June	• Review of Remuneration Policy provided by external consultant (Ellason LLP). • Ratification of 2021 personal objectives for Executive Directors. • Ratification of LTIP and share option awards for 2021 (Executive Directors, SMT and key employees). • Review of compliance with Executive Shareholding Policy and ratification of zero vesting for 2018 LTIP. • Review and approval of Executive Shareholding Policy and Good Leaver delegation rules.
June-August	• Significant shareholder consultation on Remuneration Policy.

Remuneration Committee Report continued

Month	Principal Activities
October	• Ratification of LTIP, bonus, and overall compensation packages agreed post shareholder consultation. • Reviewed progress of 2021 personal objectives for Executive Directors. • Reviewed status of 2021 bonus. • Renewal of Executive Shareholding Policy and Good Leaver Delegation Policy.
December	• Discussed 2022 salaries for the Executive Directors, SMT and workforce overall and 2022 personal objectives for the Executive Directors. • Consideration of the bonus structure for 2022. • Initial review of 2021 personal objectives and corporate objectives. • Discussion regarding 2022 personal objectives for Executive Directors. • 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. From 2022 the Policy will include criteria related to ESG which will increasingly be a key component of Executive Director remuneration moving forward in line with market practice. 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 and Senior Management 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, and now include a five year total vesting and holding period.
- 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 strategy and performance and the Care, Fair, Dare values are linked to the delivery of this 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 independent advice on the remuneration of Executives, Non-Executive Directors and SMT. Details of the work carried out by Ellason are set out 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 Senior Management in order to align their interests with our stakeholders and encourage share ownership. All Executive Directors and Senior Management Team (SMT) members met or exceeded the shareholding target in 2021, except for three SMT 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 a reduction in the next LTIP grant or bonus opportunity.

Ellason LLP was engaged in May 2021 to provide guidance and benchmarking for Executive, Non-Executive and SMT remuneration packages. Ellason was the only advisor who provided material assistance to the Committee during 2021 as below:

Advisors	Fees for Committee assistance
Ellason LLP	£18,312

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 2021 financial year was 1% for the SMT and the broader employee population, which took effect from 1 January 2021. Additionally, the Group awarded a small number of merit-based increases over and above this cost of living increase to employees at various levels of the organisation. Details of the increases awarded to Executive Directors are set out above and were separate to the cost of living increase, which the Executive Directors did not receive. Non-Executive Director salaries and fees were also reviewed and increased during the year. Details of these increases are provided below.

The Committee will continue to review Executive Director and Non-Executive Director salaries against industry benchmarks during 2022.

Statement of voting at Annual General Meeting (AGM)

At the 2021 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	120,394,128	99.73	0.27

Overview of Director 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	To provide competitive fixed remuneration. 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.	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). Salaries are reviewed annually. Changes are usually effective from 1 January, although in 2021 changes were made effective from 1 July 2021. Current salaries of the Executive Directors are set out on page 70. A review was last carried out in June 2021.	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.
Benefits	To provide a competitive level of benefit provision.	Executive Directors and their families receive private medical insurance. No maximum cost.	N/A
Annual Performance Bonus	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.	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. There is no financial underpin, which allows the Committee a greater level of discretion when determining the payment of a bonus in respect of personal objectives. The maximum percentages of salary achievable are set out on page 76.	In 2022 both financial and non-financial measures are used for Executive Directors,. Financial targets are set against Group revenue (35%), PBT (35%) and personal objectives (30% based on non-financial objectives, including ESG and Care, Fair, Dare values). Business need may alter future bonus measures or weightings.

Remuneration Committee Report continued

Element of remuneration	Purpose and how it supports strategy	How the element operated and maximum opportunity	Framework used to assess performance
Deferred Annual Bonus (DAB)	Provides mechanism to exercise malus provisions.	The DAB requires Executive Directors and SMT to defer up to 25% of their Annual Performance Bonus for three years. The DAB includes malus provisions which are laid out on page 75. Clawback provisions also apply to the DAB.	N/A
Deferred Share Plan Bonus (DSB)	To align the interests of all employees with shareholders, incentivise long-term value creation and act as a retention tool.	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.	N/A
Long-Term Incentive Plan (LTIP)	To align the interests of the Executive Directors and SMT with shareholders and to incentivise long-term value creation.	The LTIP permits an annual grant that vests subject to performance and employment. Under LTIP rules, the maximum annual award is 200% of salary. Details of the award levels for 2021 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. 50% of the vesting is based on the Total Shareholder Return (TSR) performance compared with the AIM Healthcare Share Index over the three-year period and 50% of the vesting 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. The 2014 LTIP scheme introduced malus provisions which are laid out below. The scheme has also been revised to allow for clawback provisions.	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. 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 5%. 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.

Element of remuneration	Purpose and how it supports strategy	How the element operated and maximum opportunity	Framework used to assess performance
Pension	To provide a market competitive remuneration package to enable the recruitment and retention of Executive Directors and Senior Management.	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. It is intended that any new Executive Directors will have a pension in line with the workforce.	N/A

Malus and clawback 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). Following the consultation with shareholders during the year, the Committee has agreed to incorporate clawback provisions into DAB and LTIP awards from 2022. These would allow for clawback of previously granted Awards in the same circumstances as set out above.

Directors emoluments – single figure of remuneration (2020 and 2021)

	Salary and fees		Annual Performance Bonus		Deferred Bonus		LTIPs vested		Gains on DSB vested[1]		Benefits		Pensions		Total remuneration	
	21	20	21	20	21	20	21	20	21	20	21	20	21	20	21	20
Chris Meredith	329	305	150	–	19	–	–	192	11	9	1	1	33	30	543	537
Eddie Johnson	192	173	45	–	6	–	–	41	37	33	1	1	19	17	300	265
Peter Allen	83	75	–	–	–	–	–	–	–	–	–	–	–	–	83	75
Penny Freer	49	45	–	–	–	–	–	–	–	–	–	–	–	–	49	45
Steve Bellamy[2]	22	45	–	–	–	–	–	–	–	–	–	–	–	–	22	45
Grahame Cook	44	–	–	–	–	–	–	–	–	–	–	–	–	–	44	Nil
Douglas Le Fort	18	–	–	–	–	–	–	–	–	–	–	–	–	–	18	Nil
Total	737	662[3]	195	–	25	–	–	233	48	42	2	2	52	47	1,059	986[3]

1 Gains on DSBs vested is based on the share price at vesting date. Details of the DSB can be found on page 74.
2 Steve Bellamy retired on 8 June 2021.
3 Includes £19,000 of fees paid to Peter Steinmann prior to his retirement on 10 June 2020.

The table above summarises the payments made and amounts earned by the Executive and Non-Executive Directors for the 2020 and 2021 financial years. The fees for the Chairmen of the Audit Committee and Remuneration Committees (Grahame Cook and Penny Freer) include a fee of £8,000 for chairing a Committee from 1 July 2021 (previously £3,000) and a £3,000 fee for the Senior Independent Director from 1 July 2021 (Penny Freer – previously no fee). No Annual Performance Bonus was payable for 2020. The Executive Directors were granted LTIPs as detailed on page 76. 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 70 and for the prior year in the table above.

Remuneration Committee Report continued

Annual Performance Bonus and Deferred Annual Bonus

Details of the Annual Performance Bonus and Deferred Annual Bonus are outlined on pages 73 and 74.

The personal objectives for the Executive Directors for the year ended 31 December 2021 included progress in new products launches, development of the SMT and progress with the successful integration of recent acquisitions. The table below summarises 2021 performance against the targets:

Performance measures	Weighting	Threshold £m	Target £m	Stretch £m	Achievement £m	2021 result (% of maximum)
Group Revenue	28.33%	110.3	116.1	121.9	108.6	0%
Adjusted Profit Before Tax	28.33%	25.6	27.6	29.0	25.6	27.6%
Adjusted fully diluted Earnings Per Share	28.33%	9.47	10.37	10.88	9.66	33.1%
Personal objectives/ values assessment	15%	Committee assessed that the Executive Directors fully achieved their objectives			Maximum	15%
Total	100%					

The bonus for 2021 is payable in April 2022, as a % of salary is:

Director	Revenue	PBT	EPS	Objectives	Total %
Chris Meredith	0%	11.7%	14.1%	22.5%	48.3%
Eddie Johnson	0%	5.9%	7.0%	11.3%	24.2%

2022 objectives are commercially sensitive and not detailed in this Report.

2021 bonus payments in respect of 2020 were as follows:

Director	Bonus paid in 2021 (FY 2020)	Deferred	Percentage of salary (total bonus)	Maximum % of salary
Chris Meredith	£Nil	£Nil	0%	150%
Eddie Johnson	£Nil	£Nil	0%	100%

Vesting of LTIPs for the year ended 31 December 2021

Details of the LTIP performance conditions for the LTIPs granted on 13 April 2018, which produced a Nil vesting result on 13 April 2021, are shown on page 70.

Directors' interests in the LTIP

On 16 April 2021 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. Eddie Johnson's maximum award for future years has been increased to 125%, as detailed on page 70.

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	2.574	238,963	615,090.73	See page 74
Eddie Johnson	Nil-cost option	100% of salary	2.574	67,706	174,275.24	See page 74

Outstanding Share Awards – Maximum under the LTIP

Director	As at 1 January 2021	Exercised in the year	Issued in the year	Lapsed in the year	As at 31 December 2021	Market price at grant date (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)
	80,096	–	–	–	80,096	246.69	6 April 2020 (vested)
	90,344	–	–	90,344	–	308.00	13 April 2021 (vested)
	182,510	–	–	–	182,510	328.75	24 April 2022
	254,812	–	–	–	254,812	239.00	14 April 2023
	–	–	238,963	–	238,963	257.40	16 April 2024
Eddie Johnson	34,235	–	–	–	34,235	132.00	2 April 2018 (vested)
	28,126	–	–	–	28,126	184.60	18 April 2019 (vested)
	17,379	–	–	–	17,379	246.69	6 April 2020 (vested)
	19,603	–	–	19,603	–	308.00	13 April 2021 (vested)
	38,783	–	–	–	38,783	328.75	24 April 2022
	72,197	–	–	–	72,197	239.00	14 April 2023
	–	–	67,706	–	67,706	257.40	23 April 2024

Neither Chris Meredith or Eddie Johnson exercised any Nil LTIPs in 2021 (2020: 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 set at a rate available to the wider workforce in respect of future Executive Director appointments.

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 2021 save as disclosed on page 75.

Following our consultation with shareholders, it was agreed that Non-Executive Directors should have their remuneration increased in line with other similar AIM-listed companies. Consequently, it was agreed that the Chairman's fee should be increased from £75,000 to £90,000, the Non-Executive Director base fee should remain at £42,000, a Senior Independent Director fee of £3,000 should be introduced and the fee for chairing the Remuneration or Audit Committee should be increased from £3,000 to £8,000. 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 were increased in 2021 in line with comparable AIM listed companies, as detailed above.	Non-Executive Directors do not participate in variable pay arrangements and do not receive retirement benefits.

Remuneration Committee 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	1 July 2005 (updated 1 July 2021)	Rolling Contract	12
Eddie Johnson	1 January 2019 (updated 1 July 2021)	Rolling Contract	12
Non-Executive Directors			
Peter Allen	4 December 2013	Rolling contract	6
Penny Freer	1 March 2010	Rolling contract	6
Grahame Cook	1 February 2021	Rolling contract	6
Douglas Le Fort	2 August 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 or 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 2021.

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 a Director's exit or a change of control situation, 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* at 31 December 2020	Beneficially owned* at 31 December 2021	Outstanding LTIP awards at 31 December 2021	Outstanding DAB awards at 31 December 2021	Outstanding share awards under DSB at 31 December 2021	Shareholding as a % of issued Share Capital at 31 December 2021
Chris Meredith	1,515,241	1,528,893	1,032,948	34,608	71,114	0.71%
Eddie Johnson	118,938	141,648	258,426	10,854	46,094	0.06%
Peter Allen	50,000	50,000	–	–	–	–
Penny Freer	13,888	13,888	–	–	–	–
Grahame Cook	Nil	Nil	–	–	–	–
Douglas Le Fort	Nil	Nil	–	–	–	–

* 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 2021 is shown below, using the share price at that date:

Director	Shares held*	Vested DSBs	LTIP (50% of vested/ unexercised LTIPs)	DAB awards	Total shares	Shareholding target (£)	Shareholding value (£)	% holding vs target
Chris Meredith	1,480,127	48,500	178,332	34,608	1,741,567	£700,000	£5,886,496	841%
Eddie Johnson	25,732	96,723	39,870	10,854	173,179	£420,000	£585,354	139%

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

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 given for each year.

Year ended 31 December	2017	2018	2019	2020	2021
Total remuneration (£'000)	1,040	896	770	537	543
Annual Performance Bonus (% of maximum)	82.6%	50.6%	0%	0%	32.2%
LTIP vesting (% of maximum)	76.9%	87.3%	90.3%	73.1%	0%

Relative importance of spend on pay

Year ended 31 December	2020 (£m)	2021 (£m)	Change %
Staff costs	35.8	39.7	11%
Dividends*	3.3	3.8	15%
Tax	1.5	4.5	200%
Profits for year attributable to owners of the parent	8.6	17.5	103%

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

£1,572,000 (2020: £1,043,000) of staff costs relate to pay for the Directors, of which £965,000 relates to the highest paid Director (2020: £590,000). Total pension contributions were £1,407,000 (2020: £1,349,000) and for the highest paid Director £33,000 (2020: £30,000).

During 2021, distributions to shareholders included a dividend of £2,579,000 paid on 18 June 2021 (2020: £2,256,000) and £1,266,000 paid on 22 October 2021 (2020: £1,081,000). It is proposed that a dividend of 1.37p per share be paid on 17 June 2022. Further details are provided in Note 14 on page 112.

Remuneration Committee Report continued

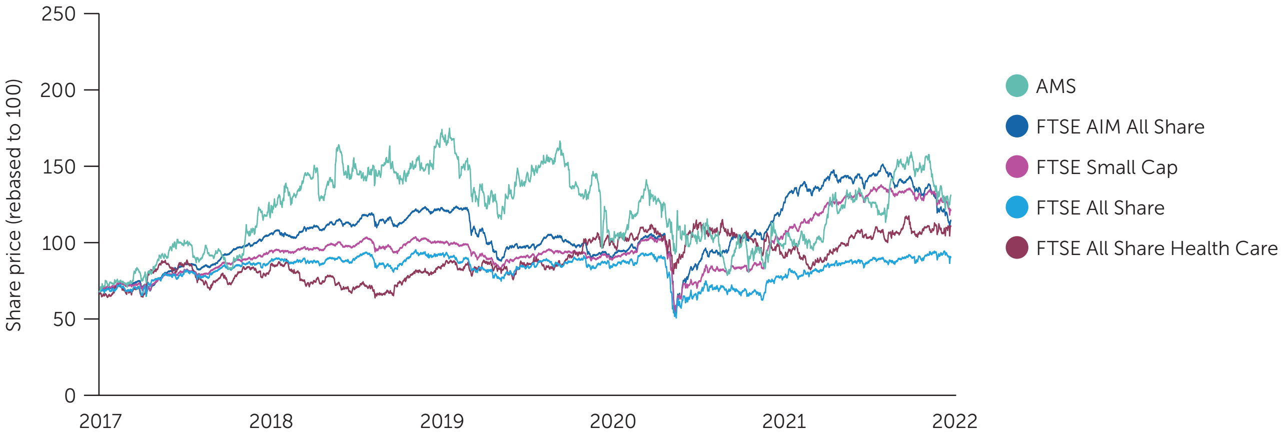
Private healthcare
Executive Directors and other senior employees are entitled to private healthcare and permanent health insurance.

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 117 to 118.

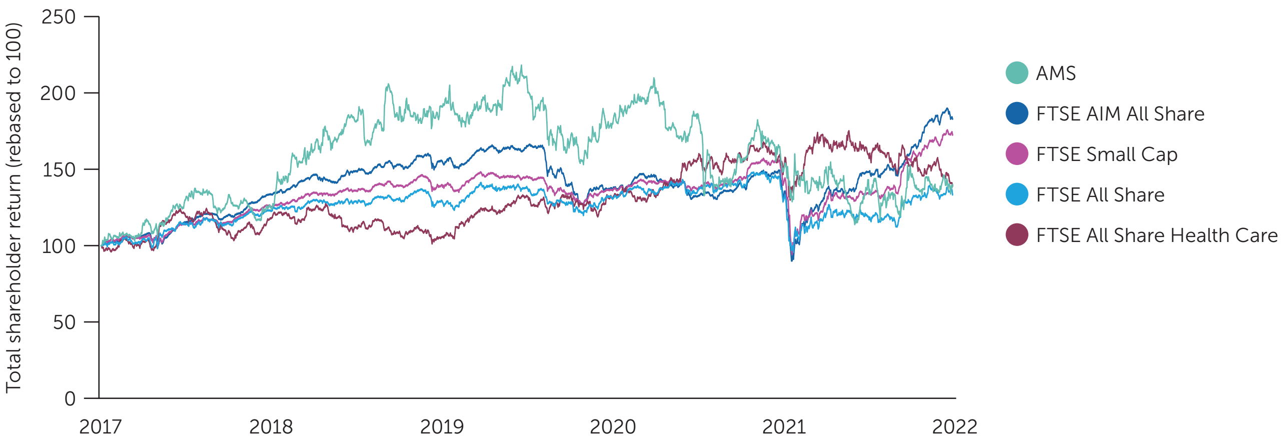
The SOP allows employees to be granted approved or unapproved options. Under the approved part of the SOP, UK employees can receive up to £30,000 worth of shares by market value of the shares on the grant date and benefit from the growth in value of those shares.

Share performance – 2022
The opening share price for 2021 was 243p and the closing price, on the last trading day of the year, was 338p. The range during the year was 341p (high) and 222.5p (low) (Source: Daily Official List of the London Stock Exchange).

Five-year share performance
For the five-year period ending 28 February 2022, the Advanced Medical Solutions Group plc share price outperformed the FTSE All-Share Index by 30% and FTSE All-Share Health Care Index by 7%, the FTSE Small Cap Index by 5% and the FTSE AIM All-Share Index by 21%.



For the five-year period ending 28 February 2022, the Advanced Medical Solutions Group plc Total Shareholder Return (TSR), share price growth plus reinvested dividends, outperformed the FTSE All-Share Index by 13% and the FTSE AIM All-Share Index by 17%. TSR underperformed the FTSE All-Share Health Care Index by 14% and FTSE Small Cap Index by 12%.



Directors' Report

For the year ended 31 December 2021

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 5 to 51**
Results	Financial Statements – **pages 84 to 130**
Corporate Governance	Corporate Governance Report – **pages 56 to 61**
Directors' remuneration including Directors' interest in the share capital of the Company	Remuneration Report – **pages 69 to 80**
Principal Risks and Uncertainties	Principal Risks and Uncertainties – **pages 47 to 51**
Financial instruments and risk management	Note 24 to the Financial Statements – **pages 121 to 123** and in the Strategic Report – **pages 47 to 51**
Research and development activities	Strategic Report – **pages 5 to 51**. Financial review on **pages 44 to 46**
Shareholder, employee and stakeholder engagement	Stakeholder Engagement Report – **pages 26 to 31**
Environmental, Social and Governance, Health and Safety and SECR report	ESG Report – **pages 32 to 41**
Key Performance Indicators	Key Performance Indicators – **pages 20 to 21**
Company's capital structure	Consolidated Statement of Changes in Equity – **page 94** Financial Statements – Note 27 on **page 124**
Long Term Incentive Plan and share schemes	Remuneration Report – **pages 69 to 80**
Events after the balance sheet date	Financial Statements – Note 31 on **page 130**
Significant subsidiary undertakings	Financial Statements – Note 3 on **pages 135 to 136**
Non-Financial Reporting Statement	**Page 31**

Dividends

The Group made a profit before tax for the year to 31 December 2021 of £22.0 million (2020: £10.1 million). The Directors are recommending a final dividend of 1.37p per share (2020: 1.20p per share). The final dividend will, subject to shareholders' approval, be paid on 17 June 2022 to shareholders on the register at the close of business on 27 May 2022. This would make a total dividend of 1.95p for the full year (2020: 1.70p). The Board will continue to review the Group's dividend policy, with future distributions reflecting the cash generation and capital needs of the Company.

Events after the reporting date

Since the date of the balance sheet, the Group has agreed to acquire AFS Medical GmbH, a specialist distributor of minimally invasive surgical devices headquartered in Vienna, strengthening its direct sales footprint, capabilities, and product portfolio. Consideration will be an initial cash purchase price of €4.5 million, including debt, with a further cash deferred consideration of up to €1.5 million, based on EBITDA delivery in 2022-2024. The acquisition is expected to complete in mid-2022 following the required regulatory clearances. It is expected to add approximately €4 million to Group revenues in 2023 and to be earnings enhancing.

Capital structure

The Group has an undrawn unsecured £80 million credit facility provided jointly by NatWest and HSBC which will be renewed before its end date of December 2022. 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 124.

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.

Creditor Payment Policy

It is the policy and normal practice of the Group to make payments due to suppliers in accordance with agreed terms and conditions, generally less than 60 days. Where suppliers offer early settlement discounts, these may be taken advantage of. This policy will also be applied for 2022.

Directors' Report continued

For the year ended 31 December 2021

Share capital and issue of Ordinary Shares

At 31 March 2022 the Group's issued share capital is set out below:

	Number	£'000	% of issued Share Capital
Ordinary shares of 5p each	216,071,141	10,804	100

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 2022, in accordance with the Disclosure and Transparency Rules:

	31 March 2022	% of issued Share Capital
Octopus Investments Limited	27,213,358	12.59
Canaccord Genuity Group Inc	14,984,109	6.93
Charles Stanley Group	11,264,331	5.21
Investec Group	10,600,458	4.91
Invesco	9,258,803	4.29
AXA SA	8,484,197	3.93
Groupama	7,011,957	3.25
Rathbone plc	6,744,656	3.12

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 2022, with the exception of Penny Freer 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 that 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 the ESG Report on pages 32 to 43.

Employees and other stakeholders

The Group has chosen, in accordance with section 414(c)(ii) of the Companies Act 2006 to set out in the Strategic Report the following which the Directors believe to be of significant importance:

- Review of the business.
- Relevant aspects of Section 172 statement (Sch 7.11(1)(b).
- Employee engagement and Sch 7.11B(1) – Business relationships).

Further policies relating to employees are discussed in the ESG section of the Strategic Report. See pages 26 to 31 for disclosure of employee engagement and other stakeholder engagement statements.

Political donations

In line with the established policy, the Group made no political donations.

Annual General Meeting

The AGM will be held at 11.00 am on 8 June 2022. Further details are outlined in the AGM Notice, which is a separate circular to shareholders.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

- properly select and apply accounting policies consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company'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 includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

Provision of information to the independent Auditors

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent Auditors

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 and is signed on its behalf by.

Owen Bromley
Company Secretary
14 April 2022

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 2021 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with United Kingdom adopted International Accounting Standards;
- 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 Statement of Cash Flows;
- the related Consolidated Financial Statement Notes 1 to 31; and
- the related Parent Company Financial Statement Notes 1 to 7.

The Financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and United Kingdom adopted international accounting standards. 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	The key audit matters that we identified in the current year were: • Revenue Recognition • Carrying Value of Goodwill Within this report, key audit matters are identified as follows: 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 5% of pre-tax profit.
Scoping	We focused our group audit scope on the UK, Germany, the Netherlands, France and Israel with the AMS Ltd (UK) and Resorba Medical GmbH (Germany) entities subject to a full scope audit, and Advanced Medical Solutions B.V. (Netherlands), Biomatlante SA (France), Advanced Medical Solutions Israel (Sealantis) Limited (Israel) and Raleigh Adhesive Coatings (UK) 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	The following changes to our approach occurred this year: • Change to the benchmark used for materiality (see section 6 for further details); • We no longer consider Going Concern to be a key audit matter given the levels of headroom in the financial forecasts (see section 4 for further details); • Removed the key audit matter of acquisition accounting given there were no acquisitions in the year under audit; and • Raleigh Adhesive Coatings was a identified as a new component throughout the year following acquisition in November 2020 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 included:

- obtained an understanding and corroborated the available, uncommitted, financing facilities including nature of the facilities, repayment terms and covenants;
- linked the assessment and the forecasts to business model and medium-term risks;
- assessed the reasonableness and appropriateness of the assumptions used in the forecasts;
- corroborated the amount of headroom in the forecasts (cash and covenants);
- evaluated the appropriateness of, and headroom within, the sensitivity analysis; and
- assessed the sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management.

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	The Group sells medical devices across a number of geographical regions generating revenue of £108.6 million (2020: £86.8 million). The timing of when revenue is recognised is relevant to the reported performance of the Group. There is risk of material misstatement due to error or fraud as a result of misstating 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. We have specifically focused this key audit matter on cut-off and occurrence of revenue recorded within November and December 2021 and January 2022. 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. 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.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over the revenue process. We tested a sample of individual sales transactions and traced to despatch notes, including consideration of the specific shipping terms attached to the sale, and subsequent cash receipt or other supporting documents. We performed a detailed analysis of revenue trends within each Business Unit including: • 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. To evaluate cut off and occurrence of revenue within the risk period: • 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 reviewed material journal amounts to revenue within the risk period and assessed reasonableness; • 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	Based on the work performed we concluded that revenue has been recognised appropriately.

5.2. Carrying Value of Goodwill

Key audit matter description	During 2019, the Group acquired a business (Advanced Medical Solutions Israel (Sealantis) Limited) which registered it's first sales at the end of 2021 but is predominantly still within the development stage. The Group has significant values of goodwill (£9.3 million, (2020: £9.2 million)) and intangible assets (£9.9 million (2020: £13 million)) in relation to this acquisition. Advanced Medical Solutions Israel (Sealantis) Limited was previously recognised as its own cash generating unit, however following the change in CGUs during the year, described further in Note 19, this now sits within the Surgical CGU. Following the change in CGUs we consider there to be a fraud risk in relation to the change in CGUs being completed to potentially disguise or hide an impairment within a CGU prior to the reorganisation. In particular the risk is in relation to the inherent estimation uncertainty in forecasting future sales of the entity given it is in the development stage. We have considered the carrying value and indicators of impairment at the point immediately prior to the change in CGU in accordance with IAS 36 Impairment of assets. A pre-tax discount rate of 10% (2020: 17.5%) has been applied in determining the net present value. As well as preparing impairment models using the new CGUs, management has assessed if any indicators of impairment immediately prior to the transition. Management has used a 5 year period plus 2% growth into perpetuity to forecast their results. Within the initial 5 year forecast, management has assumed various growth rates based on their expectations underpinned by ongoing discussions with potential customers and due diligence completed prior to the acquisition and that the entity will return a positive EBITDA from 2025 onwards. 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.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the controls relevant to management's impairment review. We have understood and challenged the rationale behind the change in CGU to assess whether the approach is compliant with IAS 36 and was performed for appropriate business rationale as past acquisitions become embedded within the wider business model. We have reviewed and challenged management's assessment, considering both corroboratory and contradictory evidence in assessing the appropriateness of the conclusions reached. We have involved internal valuation specialists in evaluating the appropriateness of the risk adjusted discount rate used within management's model by benchmarking against other competitors in the market and assessed whether the rate used lies within our acceptable range. 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. We have compared the forecasts to a range of third party market evidence and 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. 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.
Key observations	Based on the work performed we concluded that no impairment should be recorded and that goodwill is fairly stated.

Independent Auditor's Report continued

To the members of Advanced Medical Solutions Group Plc

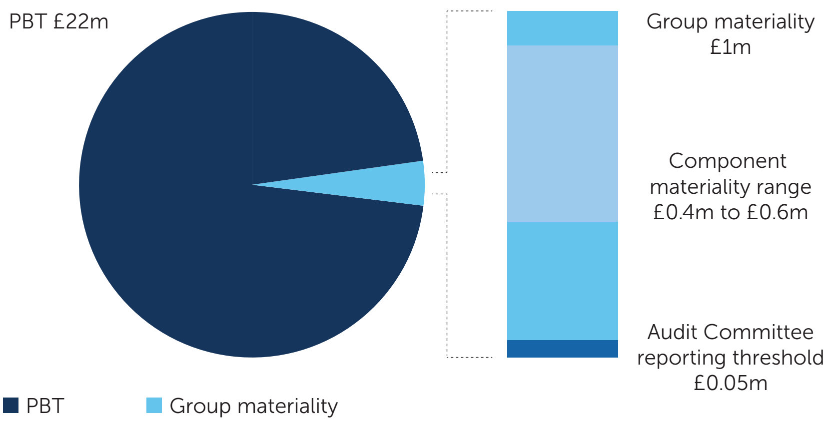
6. Our application of materiality

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 (2020: £1 million).	£0.6 million (2020: £0.9 million).
Basis for determining materiality	5% of pre-tax profit (2020: 1.2% of revenue).	The Parent Company materiality represents less than 1% of Group's net assets (2020: less than 1% of Group's net assets) which is capped at 90% of Group performance materiality (2020: 90% of Group materiality).
Rationale for the benchmark applied	Revenue and profit continue to be key performance indicators to the group and thus of most focus to the stakeholders. Historically we had used 5% of profit before tax as the benchmark, but following the impact of COVID-19, we did not believe this to be an appropriate basis in the prior year, with profits being more severely impacted than revenues due to the relative fixed cost base. As a fairer reflection of trade, we believed that revenue represented the next best measure and is considered to be a key focus of the users of the financial statements. Following return to more stable trading patterns, we have returned to the historical benchmark of pre-tax profit.	As a non-trading Parent Company, net assets is the key driver of the company. In the current year we have opted to cap Parent Company materiality at 90% of the Group performance materiality, which represents a change in rationale since last year based on auditor judgement because we consider this to better represent the focus of the users of the Financial Statements.



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% (2020: 70%) of group materiality.	100% (2020: 70%) of parent company materiality.
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • 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 (2020: £0.05 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, Germany, the Netherlands, France and Israel with the AMS Ltd (UK) and Resorba Medical GmbH (Germany) subject to a full scope audit, and Advanced Medical Solutions B.V. (Netherlands), Biomatlante SA (France), Advanced Medical Solutions Israel (Sealantis) Limited (Israel) and Raleigh Adhesive Coatings (UK) subject to specified procedures. As a consequence of the audit scope determined, we achieved coverage of 99% (2020: 99%) of the group's revenue, 99% (2020: 99%) of the group's profit before tax and 99% (2020: 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 £0.6 million (2020: £0.4 million to £0.9 million).

7.2. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its Financial Statements.

As noted on page 51 the Group has assessed the risk and opportunities relevant to climate change and has identified an emerging risk in relation to the potential loss of reputation, loss of customers and access to tenders and ultimately a potential impact to market capitalisation.

We have held discussions with the Company Secretary and with the Directors to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's Financial Statements.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transactions, and did not identify any additional risks of material misstatement beyond those identified by management above. Our procedures included reading disclosures included in the Strategic Report to consider whether they are materially consistent with the Financial Statements and our knowledge obtained in the audit.

7.3. 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.

Independent Auditor's Report continued

To the members of Advanced Medical Solutions Group Plc

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.

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 and carrying value of goodwill (specifically the change in CGUs) 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, pensions legislation 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 identified revenue recognition and carrying value of goodwill as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains those matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, 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 and reviewing internal audit reports; 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
14 April 2022

Consolidated Income Statement

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 Before exceptional items £'000	Year ended 31 December 2021 Exceptional items (Note 6) £'000	Year ended 31 December 2021 Total £'000	Year ended 31 December 2020 Before exceptional items £'000	Year ended 31 December 2020 Exceptional items (Note 6) £'000	Year ended 31 December 2020 Total £'000
Revenue	4	**108,601**	**–**	**108,601**	86,796	–	86,796
Cost of sales		**(47,531)**	**–**	**(47,531)**	(40,756)	–	(40,756)
Gross profit		**61,070**	**–**	**61,070**	46,040	–	46,040
Distribution costs		**(1,483)**	**–**	**(1,483)**	(1,071)	–	(1,071)
Administration costs		**(36,970)**	**–**	**(36,970)**	(33,658)	(834)	(34,492)
Other income		**381**	**–**	**381**	253	–	253
Operating profit	4, 5	**22,998**	**–**	**22,998**	11,564	(834)	10,730
Finance income	11	**84**	**–**	**84**	220	–	220
Finance costs	12	**(1,098)**	**–**	**(1,098)**	(861)	–	(861)
Profit before taxation		**21,984**	**–**	**21,984**	10,923	(834)	10,089
Income tax	13	**(4,503)**	**–**	**(4,503)**	(1,505)	–	(1,505)
Profit for the year attributable to equity holders of the parent		**17,481**	**–**	**17,481**	9,418	(834)	8,584
Earnings per share							
Basic	15	**8.11p**	**–**	**8.11p**	4.38p	(0.39p)	3.99p
Diluted	15	**8.01p**	**–**	**8.01p**	4.32p	(0.38p)	3.94p

The above results relate to continuing operations.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Profit for the year		**17,481**	8,584
Items that will potentially be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		**(5,194)**	3,507
(Loss)/gain arising on cash flow hedges	24	**(1,548)**	842
Deferred tax credit/(charge) arising on cash flow hedges	18	**290**	(160)
Other comprehensive (expense)/income for the year		**(6,452)**	4,189
Total comprehensive income for the year attributable to equity holders of the parent		**11,029**	12,773

Consolidated Statement of Financial Position

At 31 December 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Acquired intellectual property rights	16	**9,118**	9,879
Intangible assets	16	**19,256**	22,357
Software intangibles	16	**2,107**	2,437
Development costs	16	**10,477**	7,368
Goodwill	19	**66,032**	68,911
Property, plant and equipment	17	**27,441**	30,064
Trade and other receivables	21	**105**	364
		134,536	141,380
Current assets			
Inventories	20	**19,300**	21,025
Trade and other receivables	21	**21,016**	21,107
Current tax assets		**1,692**	1,214
Cash and cash equivalents	22	**72,965**	53,829
		114,973	97,175
Total assets		**249,509**	238,555
Liabilities			
Current liabilities			
Trade and other payables	23	**14,958**	13,139
Current tax liabilities		**897**	319
Lease liability	23	**1,153**	1,257
		17,008	14,715
Non-current liabilities			
Trade and other payables	23	**3,679**	3,229
Deferred tax liabilities	18	**7,438**	8,536
Lease liability	23	**8,707**	9,864
		19,824	21,629
Total liabilities		**36,832**	36,344
Net assets		**212,677**	202,211
Equity			
Share capital	27	**10,804**	10,769
Share premium		**36,996**	36,288
Share-based payments reserve		**13,180**	11,142
Investment in own shares	28	**(164)**	(162)
Share-based payments deferred tax reserve		**933**	430
Other reserve	28	**1,531**	1,531
Hedging reserve	28	**(21)**	1,237
Translation reserve	28	**(1,936)**	3,258
Retained earnings		**151,354**	137,718
Equity attributable to equity holders of the parent		**212,677**	202,211

The Financial Statements of Advanced Medical Solutions Group plc (registration number 2867684) on pages 92 to 130 were approved by the Board of Directors and authorised for issue on 14 April 2022 and were signed on its behalf by:

Chris Meredith
Chief Executive Officer

Consolidated Statement of Changes in Equity

Attributable to equity holders of the Group

	Share capital £'000	Share premium £'000	Share-based payments £'000	Investment in own shares £'000
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 (Note 29)	–	–	1,611	–
Share options exercised (Note 29)	24	62	65	–
Shares purchased by EBT	–	–	–	(542)
Shares sold by EBT	–	–	–	539
Dividends paid (Note 14)	–	–	–	–
At 31 December 2020	10,769	36,288	11,142	(162)
Consolidated profit for the year to 31 December 2021	**–**	**–**	**–**	**–**
Other comprehensive income	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**–**	**–**
Share-based payments (Note 29)	**–**	**–**	**1,979**	**–**
Share options exercised (Note 29)	**35**	**708**	**59**	**–**
Shares purchased by EBT	**–**	**–**	**–**	**(366)**
Shares sold by EBT	**–**	**–**	**–**	**364**
Dividends paid (Note 14)	**–**	**–**	**–**	**–**
At 31 December 2021	**10,804**	**36,996**	**13,180**	**(164)**

Share-based payments deferred tax £'000	Other reserve £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
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
–	**–**	**–**	**–**	**17,481**	**17,481**
–	**–**	**(1,258)**	**(5,194)**	**–**	**(6,452)**
–	**–**	**(1,258)**	**(5,194)**	**17,481**	**11,029**
503	**–**	**–**	**–**	**–**	**2,482**
–	**–**	**–**	**–**	**–**	**802**
–	**–**	**–**	**–**	**–**	**(366)**
–	**–**	**–**	**–**	**–**	**364**
–	**–**	**–**	**–**	**(3,845)**	**(3,845)**
933	**1,531**	**(21)**	**(1,936)**	**151,354**	**212,677**

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Cash flows from operating activities			
Profit from operations		**22,998**	10,730
Adjustments for:			
Depreciation	17	**3,893**	3,467
Amortisation – intellectual property rights	16	**3,179**	2,269
– software intangibles	16	**529**	563
– development costs	16	**1,247**	533
Decrease (increase) in inventories		**941**	(1,892)
(Increase)/decrease in trade and other receivables		**(1,769)**	10,262
Increase/(decrease) in trade and other payables		**2,105**	(2,292)
Share-based payments expense	29	**1,979**	1,611
Taxation		**(4,077)**	(3,740)
Net cash inflow from operating activities		**31,025**	21,511
Cash flows from investing activities			
Purchase of software		**(254)**	(126)
Capitalised research and development		**(4,441)**	(2,788)
Purchases of property, plant and equipment		**(1,768)**	(2,346)
Disposal of property, plant and equipment		**53**	136
Interest received		**84**	277
Acquisition of subsidiaries (net of cash acquired)		**–**	(21,924)
Net cash used in investing activities		**(6,326)**	(26,771)
Cash flows from financing activities			
Dividends paid	14	**(3,845)**	(3,337)
Repayment of principal under lease liabilities		**(1,281)**	(1,150)
Repayment of bank loan		**–**	(664)
Issue of equity shares		**723**	65
Shares purchased by EBT		**(366)**	(542)
Shares sold by EBT		**364**	539
Interest paid		**(700)**	(735)
Net cash used in financing activities		**(5,105)**	(5,824)
Net increase/(decrease) in cash and cash equivalents		**19,594**	(11,084)
Cash and cash equivalents at the beginning of the year		**53,829**	64,751
Effect of foreign exchange rate changes		**(458)**	162
Cash and cash equivalents at the end of the year		**72,965**	53,829

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 2021 comprise the Company and its subsidiaries (together referred to as the 'Group').

The Group is primarily involved in the design, development and manufacture of innovative tissue-healing technology, focused on quality outcomes for patients and value for payers. The Group has a has a wide range of surgical products including tissue adhesives, sutures, haemostats, internal fixation devices and internal sealants, which it markets under its brands LiquiBand®, RESORBA®, LiquiBandFix8® and Seal-G®. The Group also supplies wound care dressings such as silver alginates, alginates and foams through its ActivHeal® brand as well as under white label. Since 2019, the Group has made three acquisitions: Sealantis, an Israeli medical device company with a patent-protected sealant technology platform; Biomatlante, an established French developer and manufacturer of innovative surgical biomaterial technologies and Raleigh, a UK leading coater and converter of materials predominately for woundcare and bio-diagnostics products.

2. Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the UK. 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 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:

- Interest Rate Benchmark Reform (Amendments to IAS 39 and IFRS4, IFRS7, IFRS9 and IFRS16).

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 twelve 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 ongoing 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 COVID-19 pandemic continues to cause the cancellation or postponement of elective surgeries, the Group has experienced strong revenue growth in the year, is profitable and cash generative. With regards to the Group's financial position, it had cash and cash equivalents at the year-end of £73.0 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 2022. It is unsecured and has not been drawn down. This facility carries an annual interest rate of the applicable reference rate such as SONIA in the case of sterling 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. In all instances of the Going Concern Sensitivity analysis the Group was able to comply with the financial covenants in place, however given that the facility expires on 31 December 2022, no reliance has been placed on this facility in the Going Concern assessment.

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 as 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 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, no key sources of estimation uncertainty and two critical accounting judgements have 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 COVID-19.

Carrying value of Goodwill

The Group has consolidated the number of cash generating units (CGU) in the current year to two (2020: five) and now reports CGUs on the same basis as the group's operating segments. Cash generating units should be the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets of groups of assets. This requires use of judgement which could have a material impact and as such the decision to reduce the number of cash generating units has been deemed to be a critical accounting judgement. The reasons for the change to two cash generating units are summarised in note 19.

Carrying value of development and recertification costs

The Group capitalises development and recertification costs once it can be demonstrated that the product or process is clearly identifiable, technically and commercially feasible and will generate future economic benefits. There is judgement involved in determining the point at which capitalisation commences and that the product or process is at a point where is it technically and commercially feasible and that future economic benefits will be generated.

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.

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

Business combinations

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

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in 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 twelve 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 2021, £4.7 million (2020: £3.9 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. No amounts are included in the Income Statement in the year relating to funds received from the COVID-19 Job Retention scheme (2020: £Nil).

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 and cash equivalents. 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.

Notes Forming Part of the Consolidated Financial Statements continued

3. Accounting policies continued

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the date the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the Statement of Financial Position date. The revenue and expenses of foreign operations are translated at an average rate for the period unless exchange rates fluctuate significantly. Exchange differences arising on consolidation are recognised in equity within the Group's translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed of.

Hedging

The Group designates certain hedging instruments, which include derivatives in respect of foreign currency risk, as cash flow hedges. 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 the 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 twenty years.

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

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.

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. The Group's approach to ensuring credit worthiness of counter-parties and use of proforma terms at times has enabled the Group to record relatively low levels of credit losses.

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 twelve-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, twelve-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve months of the reporting date.

Notes Forming Part of the Consolidated Financial Statements continued

3. Accounting policies continued

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 de-recognition 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, within 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 twelve months are presented as current assets or current liabilities.

Leased assets

For all 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 profit and loss 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 twelve 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 2021, the Group had net funds with no borrowings (2020: 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. As the Group had net funds with no external borrowings a reconciliation of net debt is not provided.

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. The Group returns cash to shareholders by means of dividends whilst ensuring the Group has the cash available to develop the products and services provided by the Group in order to provide an adequate return to shareholders.

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 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

The IASB has issued a number of minor amendment to IFRSs effective 1 January 2022 and in later years. These amendments are not expected to have a material impact on the Group.

Notes Forming Part of the Consolidated Financial Statements continued

4. Segment information

During the year ended 31 December 2021, the Group continued to operate under two business units. The Surgical Business Unit focused on selling, marketing, research, development and innovation of all our surgical products. Woundcare focused on all advanced woundcare sales, marketing, research, development and innovation of all woundcare devices, regardless of whether they are sold under an AMS or a partner brand name.

Year ended 31 December 2021	Surgical £'000	Woundcare £'000	Consolidated £'000
Revenue	64,630	43,971	108,601
Result			
Adjusted segment operating profit	20,303	6,594	26,897
Amortisation of acquired intangibles	(2,005)	(1,174)	(3,179)
Segment operating profit	18,298	5,420	23,718
Unallocated expenses			(720)
Exceptional costs			–
Operating profit			22,998
Finance income			84
Finance costs			(1,098)
Profit before tax			21,984
Tax			(4,503)
Profit for the year			17,481

Year ended 31 December 2021	Surgical £'000	Woundcare £'000	Consolidated £'000
Other information			
Capital additions:			
Software intangibles	145	109	254
Research & Development	2,922	1,519	4,441
Property, plant and equipment	1,028	740	1,768
Depreciation and amortisation	(5,579)	(3,269)	(8,848)
At 31 December 2021			
Statement of Financial Position			
Assets			
Segment assets	159,442	89,944	249,386
Unallocated assets			123
Consolidated total assets			249,509
Liabilities			
Segment liabilities	22,651	14,181	36,832

Year ended 31 December 2020	Surgical £'000	Woundcare £'000	Consolidated £'000
Revenue	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

Year ended 31 December 2020	Surgical £'000	Woundcare £'000	Consolidated £'000
Other information			
Capital additions:			
Software intangibles	74	52	126
Research & 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)
At 31 December 2020			
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

Geographical segments

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

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

Year ended 31 December	**2021 £'000**	2020 £'000
United Kingdom	**18,454**	16,748
Germany	**20,863**	18,888
France	**4,161**	4,369
Rest of Europe	**18,752**	18,027
United States of America	**36,712**	23,690
Rest of World	**9,659**	5,074
	108,601	86,796

Notes Forming Part of the Consolidated Financial Statements continued

4. Segment information continued

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

As at 31 December	2021 £'000	2020 £'000
United Kingdom	142,056	125,343
Germany	67,389	71,752
France	9,674	9,703
Rest of Europe	7,853	7,224
United States of America	1,984	3,370
Israel	20,553	21,163
	249,509	238,555

5. Profit from operations

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Profit from operations is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	3,893	3,467
Amortisation of:		
– acquired intangible assets	3,179	2,269
– software intangibles	529	563
– development costs	1,247	533
Research and development costs expensed to the income statement	3,841	3,727
Cost of inventories recognised as expense	47,530	40,397
Write down of inventories expensed	1	359
Staff costs	39,691	35,828
Net foreign exchange (gain)/loss	(2,017)	376

6. Exceptional items

During 2021, no costs have been incurred which are deemed to be exceptional in nature (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).

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 2021 £'000	Year ended 31 December 2020 £'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	217	155
Total audit fees	240	178
Audit related assurance services – Interim review	32	22
Total non-audit fees	32	22
	272	200

Fees payable to the Company's auditor, Deloitte LLP and its associates, for non-audit services to the Company are not required to be disclosed in subsidiaries' accounts because the Consolidated Financial Statements are required to disclose such fees on a consolidated basis.

A description of the work of the Audit Committee is set out in the Governance section of the Annual Report which includes explanations of how the audit objectivity and independence is safeguarded when non-audit services are provided by the Auditor.

8. Employees

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

	Year ended 31 December 2021 Number	Year ended 31 December 2020 Number
Production	**396**	379
Research & Development	**66**	59
Sales and marketing	**129**	133
Administration	**128**	119
	719	690

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Staff costs for all employees, including Executive Directors, consists of:		
Wages and salaries	**31,903**	28,554
Social Security costs	**4,402**	4,314
Pension costs	**1,407**	1,349
Share-based payments (see Note 29)	**1,979**	1,611
	39,691	35,828

9. Directors' emoluments

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Remuneration for management services	**958**	643
Pension costs	**52**	47
Amounts paid to third parties	**–**	19
Share-based payments	**562**	334
	1,572	1,043

The Group's highest paid Director is disclosed in the Remuneration Report on page 75.

Retirement benefits are accruing to the following number of Directors under money purchase schemes	**2**	2

Notes Forming Part of the Consolidated Financial Statements continued

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 2021 £'000	Year ended 31 December 2020 £'000
Salaries, fees and short-term employee benefits	2,040	1,667
Pension costs	106	106
Share-based payments	891	595
	3,037	2,368

11. Finance income

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Bank interest	84	220

12. Finance costs

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Amortisation of facility fees	299	299
Finance lease interest	352	375
Other interest	21	20
Long-term liability expense	426	167
	1,098	861

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

13. Taxation

The Group is subject to taxation in several jurisdictions and makes estimates of the taxation charges before completing tax returns at a later date. The Group's approach to transfer pricing is to apply OECD guidelines. Estimates are based on tax rates enacted in law and calculations are prepared with the assistance of professional advisors. Therefore, the taxation charge is not deemed to be a key source of estimation uncertainty.

a) Analysis of charge for the year

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Current tax:		
Tax on ordinary activities – current year	**4,936**	1,514
Tax on ordinary activities – prior year	**(323)**	21
	4,613	1,535
Deferred tax:		
Tax on ordinary activities – current year	**(490)**	(3)
Tax on ordinary activities – prior year	**(190)**	(27)
Effect of increase in UK corporation tax rates to 25% (2020: 19%)	**570**	–
	(110)	(30)
Tax charge for the year	**4,503**	1,505

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 (2020: lower) than the weighted average Group tax rate of 23.0% (2020: 24.6%) as explained below:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Profit before taxation	**21,984**	10,089
Weighted average Group tax rate 23.0% (2020: 24.6%)	**5,053**	2,481
Effects of:		
Expenses not deductible for tax purposes and other timing differences	**7**	268
Patent Box Relief	**(652)**	(1,091)
Net impact of deferred tax on capitalised development costs and R&D relief	**(123)**	(186)
Share-based payments	**161**	39
Adjustments in respect of prior year – current tax	**(323)**	21
Adjustments in respect of prior year and rate changes – deferred tax	**380**	(27)
Taxation	**4,503**	1,505

During the year, the UK Government has substantively enacted an increase in the UK corporation tax to 25% from April 2023. The Group has applied the appropriate rate to the UK Deferred Tax Liability based on the expected timing of the unwind.

In addition to the amounts 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.
- Changes in excess deferred tax deductions related to share-based payments, totalling £503,000 deficit: (2020: £219,000 surplus).

A Deferred tax credit arising on cash flow hedges is included in other comprehensive income totalling £290,000 (2020: Deferred tax charge £160,000).

Notes Forming Part of the Consolidated Financial Statements continued

14. Dividends

Amounts recognised as distributions to equity holders in the period:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Final dividend for the year ended 31 December 2020 of 1.20p (2019: 1.05p) per Ordinary Share	**2,579**	2,256
Interim dividend for the year ended 31 December 2021 of 0.58p (2020: 0.50p) per Ordinary Share	**1,266**	1,081
	3,845	3,337
Proposed final dividend for the year ended 31 December 2021 of 1.37p (2020: 1.20p) per Ordinary Share	**2,960**	2,585

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

Year ended 31 December	2021 000 Number of shares	2020 000 Number of shares
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	**215,677**	215,126
Effect of dilutive potential Ordinary Shares: share options, deferred share bonus and LTIPs	**2,635**	2,705
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	**218,312**	217,831

	£'000	£'000
Profit for the year attributable to equity holders of the parent	**17,481**	8,584
Amortisation of acquired intangible assets	**3,179**	2,269
Long term liability expense	**426**	167
Exceptional costs	**–**	834
Adjusted profit for the year attributable to equity holders of the parent pre exceptional costs	**21,086**	11,854

Earnings per share	pence	pence
Basic	**8.11**	3.99
Diluted	**8.01**	3.94
Adjusted basic	**9.78**	5.51
Adjusted diluted	**9.66**	5.44

16. Acquired intellectual property rights, software intangibles and development costs

2021	Acquired intellectual property rights £'000	Intangible assets £'000	Software intangibles £'000	Development and recertification Costs £'000	Total £'000
Cost					
At beginning of year	**13,748**	**26,044**	**5,629**	**11,202**	**56,623**
Additions	**–**	**–**	**254**	**4,441**	**4,695**
Disposals	**–**	**–**	**(36)**	**–**	**(36)**
Exchange differences	**(727)**	**(29)**	**(107)**	**(129)**	**(992)**
At end of year	**13,021**	**26,015**	**5,740**	**15,514**	**60,290**
Amortisation					
At beginning of year	**3,869**	**3,687**	**3,192**	**3,834**	**14,582**
Charged in the year	**130**	**3,049**	**529**	**1,247**	**4,955**
Disposals	**–**	**–**	**(36)**	**–**	**(36)**
Exchange differences	**(96)**	**23**	**(52)**	**(44)**	**(169)**
At end of year	**3,903**	**6,759**	**3,633**	**5,037**	**19,332**
Net book value					
At 31 December 2021	**9,118**	**19,256**	**2,107**	**10,477**	**40,958**
At 31 December 2020	9,879	22,357	2,437	7,368	42,041

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 and customer listings and contracts. Other intangible assets were recognised 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.

Intellectual property rights on acquisition in 2020 relate to technological based know-how and customer listings arising on the acquisition of Raleigh Coatings.

Intangible assets are amortised on a straight-line basis and the amortisation is recognised within administration costs. The RESORBA® brand name has a carrying value of £8,731,000 and is not being amortised as the Directors believe it has an unlimited useful economic life. 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. An asset is also recognised in respect of the GENTA-COLL® brand name and is being amortised over fifteen years with five years remaining.

Notes Forming Part of the Consolidated Financial Statements continued

16. Acquired intellectual property rights, software intangibles and development costs continued

2020	Acquired intellectual property rights £'000	Other intangible assets £'000	Software intangibles £'000	Development 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

17. Property, plant and equipment

2021	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	**6,032**	**15,031**	**113**	**33,220**	**962**	**684**	**56,042**
Additions	**74**	**223**	**76**	**1,496**	**122**	**–**	**1,991**
Disposals	**(3)**	**(500)**	**–**	**(415)**	**(28)**	**(218)**	**(1,164)**
Exchange adjustment	**(288)**	**(265)**	**(7)**	**(600)**	**(29)**	**(32)**	**(1,221)**
At end of year	**5,815**	**14,489**	**182**	**33,701**	**1,027**	**434**	**55,648**
Depreciation							
At beginning of year	**1,320**	**4,474**	**10**	**19,046**	**755**	**373**	**25,978**
Provided for the year	**185**	**1,403**	**10**	**2,177**	**80**	**38**	**3,893**
Disposals	**(3)**	**(500)**	**–**	**(415)**	**(28)**	**(172)**	**(1,118)**
Exchange adjustment	**(121)**	**(86)**	**–**	**(290)**	**(23)**	**(26)**	**(546)**
At end of year	**1,381**	**5,291**	**20**	**20,518**	**784**	**213**	**28,207**
Net book value							
At 31 December 2021	**4,434**	**9,198**	**162**	**13,183**	**243**	**221**	**27,441**
At 31 December 2020	4,712	10,557	103	14,174	207	311	30,064

Freehold land which has a carrying value of £1,317,000 is not depreciated (2020: £1,317,000).

At 31 December 2021, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £399,000 (2020: £414,000).

The net book value of plant and equipment includes £62,000 within plant and machinery (2020: £83,000) of capitalised borrowing costs relating to the Winsford site.

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

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 2019	1,132	(697)	(5,638)	(1,007)	(103)	(6,313)
Credit/(charge) 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)
Credit/(charge) to income	616	(109)	233	(636)	296	400
Charge to equity	503	–	–	–	–	503
Exchange adjustment	–	–	195	–	–	195
At 31 December 2021	**2,162**	**(1,041)**	**(6,668)**	**(1,891)**	–	**(7,438)**

Notes Forming Part of the Consolidated Financial Statements continued

18. Deferred tax continued

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:

	2021 £'000	2020 £'000
Deferred tax liabilities	(7,438)	(8,536)

At the Statement of Financial Position date, the Group has approximately £12.4 million of unused tax losses (2020: £9.8 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 to utilise these losses. The losses do not have time limits.

19. Goodwill

	2021 £'000	2020 £'000
Cost		
At 1 January	68,911	53,558
Acquisitions	–	13,170
Exchange differences	(2,879)	2,183
At 31 December	66,032	68,911

The Group has consolidated the number of cash generating units (CGU) in the current year to two (2020: five) and now reports CGUs on the same basis as the group's operating segments (See note 4). At the point of transition to two CGUs a review of impairment indicators was performed with no indicators identified. The reasons for the change in number are as follows:

The Surgical business unit sales structure has been formally amended during the year to categorise customers by geographical location rather than product category. It is becoming more common for a distributor to source a range of products from a number of AMS legal entities and the quantities and pricing will be jointly negotiated. The Group also leverages it's direct sales team in the UK, Germany, Czech Republic and Russia as well as its sales and marketing function in France to maximise the Group's return using the full range of AMS Surgical products. Therefore the cash inflows are no longer felt to be largely independent and thus the surgical business unit now represents the smallest identifiable group of assets that are largely independent of the cash inflows from other group of assets.

The Woundcare business unit has been consolidated to a single sales structure and all Woundcare sites provide goods and services to other AMS entities. Customer needs are frequently met by using more than one AMS site meaning the cash inflows are not independent of those sites. Thus the woundcare business unit now represents the smallest identifiable group of assets that are largely independent of the cash inflows from other group of assets.

As part of the 'One AMS' program the Group has transitioned to entering into a single contract covering multiple Group entities with a customer. The performance and profitability of a contract are assessed at a business unit level.

Following the acquisition of Sealantis and Biomatlante in 2019 and Raleigh in 2020, all operations have been sufficiently integrated into the Group to no longer be deemed standalone CGU's.

The revised CGUs now reflects the way the Group and goodwill is viewed and monitored by the chief operating decision makers and the financial performance of business units has a significant impact on decisions regarding the allocation of resources.

Comparative information has been presented on the basis of 5 CGU's as applied in the comparative period.

One CGU exists for the Surgical business unit (2020: three CGU's) whereby goodwill has been aggregated. One CGU's exists for the Woundcare business unit (2020: two CGU's) whereby goodwill has been aggregated.

Goodwill in the Surgical CGU arose on the acquisition of RESORBA® on 22 December 2011, the acquisition of Sealantis Limited on 31 January 2019 and on the acquisition of Biomatlante SA on 30 November 2019. Goodwill in the Woundcare CGU arose on the acquisition of Advanced Medical Solutions B.V. on 30 September 2009 and on the acquisition of Raleigh Adhesive Coatings Limited on 23 November 2020. 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 intangible assets relate to.

The following table demonstrates the allocation and key assumptions used for the purose of management's impairment test:

At 31 December 2021	Discount Rate	Inflation rate	Goodwill £'000	Intangible assets with indefinite useful life £'000	Carrying value £'000
Surgical CGU	10.0%	2.0%	50,025	8,731	58,756
Woundcare CGU	10.0%	2.0%	16,007	–	16,007
Consolidated			66,032	8,731	74,763

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. The base 12-month projection is extrapolated using reasonable growth rates specific to each cash generating unit up to year five of between 6% and 7%. A terminal value calculation is then prepared to complete the value-in-use calculation using a 2% long-term inflation rate. A discount rate of 10% per annum (2020: between 6.6% and 17.5%), 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. The discount rate used for each CGU reflects the current market assessments of the time value of money.

The Group has conducted a sensitivity analysis on the impairment tests of both CGU's 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.

Notes Forming Part of the Consolidated Financial Statements continued

19. Goodwill continued

Sensitivity analysis independently conducted on each key assumption has been prepared for all CGUs and the following inputs if individually amended would eliminate headroom in the impairment assessments:

At 31 December 2021	Discount rate	Growth rate
Surgical CGU	**28.0%**	**-18.0%**
Woundcare CGU	**30.0%**	**-20.0%**

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

	2021 £'000	2020 £'000
Raw materials	**7,859**	8,585
Work in progress	**4,969**	5,879
Finished goods	**6,472**	6,561
	19,300	21,025

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 (2020: £nil) carried at net realisable value.

	2021 £'000	2020 £'000
Total gross inventories	**21,602**	23,060
Inventory impairment	**(2,302)**	(2,035)
Net inventory	**19,300**	21,025

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

	2021 £'000	2020 £'000
Current assets		
Trade receivables	**17,515**	17,663
Other receivables	**1,688**	621
Derivative financial instruments	**–**	1,320
Prepayments and accrued income	**1,813**	1,503
	21,016	21,107
Non-current assets		
Derivative financial instruments	**25**	207
Prepayments and accrued income	**80**	157
	105	364

	2021 £'000	2020 £'000
Amount receivable for the sale of goods	**17,740**	17,859
Loss allowance	**(225)**	(196)
Net trade receivables	**17,515**	17,663

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. No expected credit loss provision is believed to be required for trade and other receivables and accrued income (2020: £nil). The carrying amount and ageing of these debtors is summarised below:

Ageing of overdue but not impaired receivables

	2021 £'000	2020 £'000
31 to 60 days overdue	**1,821**	665
61 to 90 days overdue	**218**	740
> 90 days overdue	**7**	43
Total	**2,046**	1,448

Notes Forming Part of the Consolidated Financial Statements continued

21. Trade and other receivables continued

Movement in loss allowance for trade receivables

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Balance at the beginning of the year	**196**	161
Impairment losses recognised	**146**	75
Amounts written off as uncollectible	**(40)**	(35)
Amounts recovered during the year	**(77)**	(5)
Balance at the end of the year	**225**	196

Analysis of customers

In the year ended 31 December 2021, no customer accounted for more than 10% of the Group's revenue (2020: no customer with more then 10% revenue).

22. Cash and cash equivalents

	2021 £'000	2020 £'000
Cash held at banks	**72,965**	53,829

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

	2021 £'000	2020 £'000
Current liabilities		
Trade payables	**4,878**	6,791
Other payables	**3,623**	2,138
Derivative financial instruments	**46**	–
Lease liabilities	**1,153**	1,257
Accruals and deferred income	**6,411**	4,210
	16,111	14,396
Non-current liabilities		
Other payables	**3,679**	3,229
Lease liabilities	**8,707**	9,864
	12,386	13,093

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.

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

	2021 £'000	2020 £'000
Financial assets		
Trade and other receivables	**19,203**	18,284
Cash and cash equivalents	**72,965**	53,829
Derivative instruments in designated hedge accounting relationships	**25**	1,527
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	**46**	–
Financial liabilities measured at amortised cost	**18,591**	16,368
Lease liabilities	**9,860**	11,121

Within financial liabilities measured at amortised cost are non-current liabilities which arose on the acquisition of Sealantis in 2019 and relate to contingent consideration and amounts due to the Israeli Innovation Authority ("IIA").

Contingent consideration is based on future sales of existing products in development at the time of acquisition and are due until the end of 2027. The liability is calculated based on the net present value of future sales projections with a 7.1% discount rate applied. The discount rate used to calculate the liability is the Group's weighted average cost of capital.

Royalties payable to the IIA are linked to grants received prior to acquisition and are based on future sales of existing products in development. The liability is calculated based on the net present value of future sales projections with a 7.1% discount rate applied.

Amounts due to the IIA are payable based on a percentage of 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 7.1% 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 occur as the liabilities unwind and sales projections are updated, impacting the timing of repayments to the IIA. These expenses are recognised in finance costs (see Note 12).

In December 2019 the Group entered into a multi-currency facility with 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.
- The facility will expire in December 2022.
- The interest payable on drawings under the loan is based on applicable reference rates such as SONIA in the case of Sterling plus a margin that varies between 0.6% and 1.7% depending on the Group's net debt to EBITDA ratio. 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 47 to 51 provides an explanation of the financial risks faced by the Group and the objectives and policies for managing those risks. The information below deals with the financial assets and liabilities.

Notes Forming Part of the Consolidated Financial Statements continued

24. Financial instruments continued

(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:

At 31 December 2021	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
Trade and other payables	**14,912**	**58**	**988**	**2,633**	**18,591**
Lease liabilities	**1,146**	**983**	**2,693**	**5,038**	**9,860**
Financial Derivatives	**46**	**–**	**–**	**–**	**46**
At 31 December 2021	**16,104**	**1,041**	**3,681**	**7,671**	**28,497**

At 31 December 2020	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
Trade and other payables	13,139	71	763	2,396	16,368
Lease liabilities	1,257	1,088	2,920	5,856	11,121
At 31 December 2020	14,396	1,159	3,683	8,252	27,489

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 £7.0 million (2020: £7.6 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 £1.8 million (2020: £2.1 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 Group's interest rate risk is not considered to be a significant risk.

Cash and cash equivalents

Currency and interest rate profile of the financial assets	Floating rate deposits £'000	Non-interest bearing £'000	Total £'000
Currency			
Sterling	**44,525**	**15,509**	**60,034**
US Dollar	**407**	**6,318**	**6,725**
Euro	**4,072**	**2,008**	**6,080**
Israeli Shekel	**–**	**126**	**126**
At 31 December 2021	**49,004**	**23,961**	**72,965**

	Floating rate deposits £'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

Trade and other receivables

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

Trade and other receivables excluding derivative instruments and prepayments are in the following currencies:

	2021 £'000	2020 £'000
Sterling	**7,130**	8,814
US Dollar	**7,966**	5,696
Euro	**4,037**	3,742
Israeli Shekel	**70**	32
	19,203	18,284

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

(c) Currency exposures

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.

Risk sensitivity

The Group estimates that a 10% movement in the £:US$ or £:Euro exchange rate would have impacted 2021 Sterling revenues by approximately 3.4% and 2.9% respectively and in the absence of any hedging this would have had an impact on profit margin percentage of 2.8% and 0.3%.

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts.

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

	Average contract rate		Foreign currency		Fair value	
Outstanding contracts	2021 USD:£1	2020 USD:£1	2021 USD '000	2020 USD '000	2021 £'000	2020 £'000
Cash flow hedges						
Sell US dollars						
Less than 3 months	**1.32**	1.30	**10,000**	8,000	**152**	312
3 to 6 months	**1.38**	1.30	**7,000**	6,500	**(114)**	235
7 to 12 months	**1.36**	1.27	**19,000**	14,000	**(184)**	805
Over 12 months	**1.34**	1.31	**7,500**	6,000	**14**	205
			43,500	34,500	**(132)**	1,557

	Average contract rate		Foreign currency		Fair value	
	2021 EUR:£1	2020 EUR:£1	2021 EUR '000	2020 EUR '000	2021 £'000	2020 £'000
Sell Euros						
Less than 3 months	**1.11**	1.15	**700**	600	**43**	(16)
3 to 6 months	**1.15**	1.14	**900**	600	**24**	(16)
7 to 12 months	**1.15**	1.11	**1,800**	1,200	**32**	(1)
Over 12 months	**1.14**	1.10	**600**	600	**12**	3
			4,000	3,000	**111**	(30)

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 (2020: £nil) in respect of FVTPL contracts. The loss of £1,548,000 (2020: £842,000 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.

Notes Forming Part of the Consolidated Financial Statements continued

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:

	Average rate		Closing rate		Percentage change	
	2021	2020	**2021**	2020	**Average %**	**Closing %**
Currency						
US Dollar	**1.38**	1.28	**1.35**	1.37	**7%**	**(1%)**
Euro	**1.16**	1.13	**1.19**	1.11	**3%**	**7%**

27. Share capital

Number of Ordinary Shares of 5p each	Allotted, called up and fully paid '000
At 1 January 2020	214,890
Share capital allotted for share schemes	493
At 31 December 2020	215,383
Share capital allotted for share schemes	688
At 31 December 2021	**216,071**

At the Statement of Financial Position date, 371,498 (2020: 403,239) 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 2020	10,745
Share capital allotted for share schemes	24
At 31 December 2020	10,769
Share capital allotted for share schemes	35
At 31 December 2021	**10,804**

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 the Income Statement only when the hedged transaction impacts the Income Statement 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 £5,194,000 loss has been recorded in the translation reserve during the period, which would otherwise have been recognised in Administration costs (2020: £3,507,000 gain) if hedge accounting had not been adopted.

29. Share-based payments

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

	2021 £'000	2020 £'000
Unapproved Executive Share Option Scheme and Company Share Option Scheme	**336**	253
Long-Term Incentive Plan	**1,006**	705
Deferred Share Bonus Scheme and Deferred Annual Bonus Scheme	**637**	653
	1,979	1,611

Unapproved Executive Share Option Scheme 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	26/04/2013	15/04/2014	19/09/2014	02/04/2015	18/04/2016	06/04/2017
Share price at grant date	77.5p	115.75p	121.75p	132.0p	184.6p	246.7p
Exercise price	77.5p	115.75p	121.75p	132.0p	184.6p	246.7p
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	0.36%	0.80%	0.80%	0.80%	0.67%	0.18%
Expected volatility	36%	36%	36%	31%	25%	23%
Expected dividend yield	0.7%	0.7%	0.7%	0.7%	0.4%	0.4%
Fair value of options	15p	23p	24p	22p	25p	29p

Grant Date	13/04/2018	24/04/2019	14/04/2020	25/09/2020	23/04/2021
Share price at grant date	308.0p	328.75p	239.0p	214.5p	257.0p
Exercise price	308.0p	328.75p	239.0p	214.5p	257.0p
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	0.94%	0.75%	0.08%	0.08%	0.12%
Expected volatility	34%	26%	36%	36%	35%
Expected dividend yield	0.7%	0.4%	0.6%	0.6%	0.6%
Fair value of options	41p	48p	46p	42p	47p

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.

Notes Forming Part of the Consolidated Financial Statements continued

29. Share-based payments continued

Options have been granted over the following number of Ordinary Shares which were outstanding at 31 December 2021:

Date of grant	Option price (p)	Number of options as at 1 January 2021	Remaining life (years) 1 January 2021	Issued	Lapsed	Exercised	Number of options as at 31 December 2021	Remaining life (years) 31 December 2021
Unapproved Executive Share Option Scheme								
15.04.14	115.75	102,000	3.3	–	–	–	102,000	2.3
19.09.14	121.75	28,000	3.7	–	–	–	28,000	2.7
02.04.15	132.00	80,000	4.2	–	–	(20,000)	60,000	3.2
18.04.16	184.60	166,991	5.3	–	–	–	166,991	4.3
06.04.17	246.70	427,061	6.3	–	–	(151,687)	275,374	5.3
13.04.18	308.00	349,021	7.3	–	–	(26,157)	322,864	6.3
24.04.19	328.75	384,856	8.3	–	(13,316)	–	371,540	7.3
14.04.20	239.00	770,027	9.3	–	(83,300)	–	686,727	8.3
25.09.20	214.50	34,872	9.7	–	–	–	34,872	8.7
23.04.21	257.40	–	–	792,145	(27,000)	–	765,145	9.3
Company Share Option Plan								
15.04.11	88.00	6,000	0.3	–	–	(6,000)	–	–
08.09.11	86.25	1,000	0.7	–	–	(1,000)	–	–
26.04.13	77.50	1,000	2.3	–	–	–	1,000	1.3
15.04.14	115.75	13,000	3.3	–	–	–	13,000	2.3
02.04.15	132.00	12,727	4.2	–	–	(7,727)	5,000	3.2
18.04.16	184.60	66,798	5.3	–	–	–	66,798	4.3
06.04.17	246.70	186,332	6.3	–	–	(82,093)	104,239	5.3
13.04.18	308.00	129,781	7.3	–	(5,403)	(8,356)	116,022	6.3
24.04.19	328.75	125,880	8.3	–	(10,421)	–	115,459	7.3
14.04.20	239.00	265,992	9.3	–	(21,293)	–	244,699	8.3
23.04.21	257.40	–		314,355	(9,000)	–	305,355	9.3
		3,151,338		1,106,500	(169,733)	(303,020)	3,785,085	

The weighted average remaining contractual life of the options outstanding at 31 December 2021 is 7.4 years (2020: 7.5 years).

The weighted average exercise price of options in the year was £3.09 (2020: £2.42).

	2021 Number of Options	2020 Number of Options
Outstanding at beginning of the year	3,151,338	2,309,046
Issued	1,106,500	1,145,891
Exercised	(303,020)	(50,513)
Lapsed	(169,733)	(253,086)
Outstanding at end of the year	3,785,085	3,151,338
Exercisable at end of the year	1,261,288	1,090,909

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%	0.80%	0.67%	0.18%
Expected volatility	36%	29%	27%	25%	23%
Expected dividend yield	0.7%	0.7%	0.7%	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	24/04/2019	14/04/2020	25/09/2020	23/04/2021
Share price at grant date	328.75p	239.0p	214.5p	280.5p
Exercise price	0p	0p	0p	0p
Expected life	3 yrs	3 yrs	3 yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs
Risk free rate	0.75%	0.08%	0.08%	0.12%
Expected volatility	26%	36%	36%	36%
Expected dividend yield	0.4%	0.6%	0.6%	0.6%
Probability of performance conditions	50%	62%	62%	62%
Fair value of option	297.0p	217.0p	185.0p	217.0p

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 vesting conditions referred to on page 74. The numbers shown are maximum entitlements and the actual number of shares issued (if any) will depend on performance against the vesting criteria being achieved.

Date of grant	Market price at date of grant (p)	Number of LTIPs at 1 January 2021	Remaining life (years) 1 January 2021	Issued	Lapsed	Exercised	Number of LTIPs at 31 December 2021	Remaining life (years) 31 December 2021
Long-Term Incentive Plan								
06.06.14	117.00	38,450	3.4	–	–	–	38,450	2.4
02.04.15	132.00	99,270	4.2	–	–	–	99,270	3.2
10.09.15	151.50	146,939	4.7	–	–	–	146,939	3.7
18.04.16	184.60	218,078	5.3	–	–	(11,500)	206,578	4.3
06.04.17	246.70	165,219	6.3	–	–	(42,212)	123,007	5.3
02.11.17	344.70	2,196	6.8	–	–	(2,196)	–	5.8
13.04.18	308.00	361,339	7.3	–	(361,339)	–	–	6.3
24.04.19	328.75	437,469	8.3	–	(31,315)	(16,279)	389,875	7.3
14.04.20	239.00	629,910	9.3	–	(44,211)	(4,546)	581,153	8.3
25.09.20	214.50	22,476	9.7	–	–	–	22,476	8.7
23.04.21	257.40	–	–	626,365	(26,541)	–	599,824	9.3
		2,121,346		626,365	(463,406)	(76,733)	2,207,572	

The weighted average exercise price of the Long-Term incentive Plan in the year was £2.38 (2020: £2.35).

Notes Forming Part of the Consolidated Financial Statements continued

29. Share-based payments continued

The weighted average remaining contractual life of the LTIPs outstanding at 31 December 2021 is 7.2 years (2020: 7.4 years).

	2021 Number of Options	2020 Number of Options
Outstanding at beginning of the year	**2,121,346**	1,784,244
Issued	**626,365**	652,386
Exercised	**(76,733)**	(187,646)
Lapsed	**(463,406)**	(127,638)
Outstanding at end of the year	**2,207,572**	2,121,346
Exercisable at end of the year	**614,244**	670,152

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

Grant date	02/07/2013	30/04/2014	29/04/2015	03/05/2016	02/05/2017	13/04/2018
Share price at grant date	74.125p	126.0p	141.5p	183.0p	264.1p	306.8p
Exercise price	0p	0p	0p	0p	0p	0p
Expected life	5 yrs	5 yrs	5 yrs	5 yrs	5 yrs	5 yrs
Risk-free rate	0.69%	0.80%	0.80%	0.67%	0.18%	0.94%
Expected volatility	36%	36%	31%	25%	23%	25%
Expected dividend yield	0.7%	0.7%	0.7%	0.4%	0.4%	0.4%
Probability of performance conditions	100%	100%	100%	100%	100%	100%
Fair value of option	63p	110p	124p	160p	233p	266p

Grant date	29/04/2019	05/05/2020	16/11/2020	11/05/2021	15/11/2021
Share price at grant date	328.75p	244.97p	218.40p	272.09p	328.29p
Exercise price	0p	0p	0p	0p	0p
Expected life	5 yrs	5 yrs	5 yrs	5 yrs	5 yrs
Risk-free rate	0.75%	0.08%	0.08%	0.12%	0.12%
Expected volatility	26%	36%	36%	36%	36%
Expected dividend yield	0.4%	0.6%	0.6%	0.6%	0.6%
Probability of performance conditions	100%	100%	100%	100%	100%
Fair value of option	296p	253p	190p	238p	288p

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 74.

Date of grant	Market price at date of grant (p)	Number of DSB matching shares at 1 January 2021	Issued	Lapsed	Exercised	Number of DSB matching shares at 31 December 2021
Deferred Share Bonus Plan						
12.04.07	18.25	**6,759**	**–**	**–**	**–**	**6,759**
02.05.08	35.50	**9,415**	**–**	**–**	**–**	**9,415**
23.04.09	34.00	**15,497**	**–**	**–**	**(146)**	**15,351**
05.05.10	40.32	**12,400**	**–**	**–**	**–**	**12,400**
11.05.11	83.00	**3,537**	**–**	**–**	**(361)**	**3,176**
10.05.12	70.63	**8,662**	**–**	**–**	**(1,062)**	**7,600**
02.07.13	74.13	**49,968**	**–**	**(337)**	**(10,911)**	**38,720**
30.04.14	126.00	**43,356**	**–**	**–**	**(11,474)**	**31,882**
29.04.15	141.50	**92,523**	**–**	**–**	**(38,950)**	**53,573**
03.05.16	183.00	**133,847**	**–**	**–**	**(31,890)**	**101,957**
02.05.17	264.10	**172,386**	**–**	**–**	**(60,894)**	**111,492**
13.04.18	306.77	**162,296**	**–**	**–**	**(19,545)**	**142,751**
29.04.19	328.75	**240,431**	**–**	**(18,721)**	**(8,009)**	**213,701**
05.05.20	244.97	**357,736**	**–**	**(10,575)**	**(5,118)**	**342,043**
16.11.20	218.40	**97,219**	**–**	**(2,791)**	**(457)**	**93,971**
11.05.21	272.09	**–**	**298,558**	**(17,070)**	**(661)**	**280,827**
15.11.21	328.29	**–**	**95,553**	**–**	**–**	**95,553**
		1,406,032	**394,111**	**(49,494)**	**(189,478)**	**1,561,171**

The weighted average exercise price of the Deferred Share Bonus Plan in the year was £2.79 (2020: £2.39).

	2021 Number of Options	2020 Number of Options
Outstanding at beginning of the year	**1,406,032**	1,345,777
Issued	**394,111**	461,687
Exercised	**(189,478)**	(363,271)
Lapsed	**(49,494)**	(38,161)
Outstanding at end of the year	**1,561,171**	1,406,032
Exercisable at end of the year	**535,076**	548,350

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	21/05/14	15/04/15	18/04/16	06/04/17	13/04/18	24/04/19
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

Notes Forming Part of the Consolidated Financial Statements continued

29. Share-based payments continued

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 2021	Remaining life (years) 1 January 2021	Issued	Lapsed	Exercised	Number of DAB matching shares at 31 December 2021	Remaining life (years) 31 December 2021
Deferred Annual Bonus Plan								
21.05.2014	115.40	520	3.3	–	–	–	520	2.3
15.04.2015	129.00	6,095	4.3	–	–	–	6,095	3.3
18.04.2016	184.60	5,971	5.3	–	–	–	5,971	4.3
06.04.2017	246.70	36,956	6.3	–	–	(27,788)	9,168	5.3
13.04.2018	308.00	63,037	7.3	–	–	(33,127)	29,910	6.3
24.04.2019	328.75	36,721	8.3	–	–	(3,952)	32,769	7.3
		149,300		–	–	(64,867)	84,433	

Those senior executives who are required to defer a portion of their bonus did not receive a bonus in 2020 or 2021 and therefore no Deferred Annual Bonus arose.

The weighted average exercise price of the Deferred Annual Bonus Plan options in the year was £2.55 (2020: £2.45).

The weighted average remaining contractual life of the DAB options outstanding at 31 December 2021 is 6.2 years (2020: 7.1).

	2021 Number of Options	2020 Number of Options
Outstanding at beginning of the year	149,300	196,023
Issued	–	–
Exercised	(64,867)	(46,723)
Lapsed	–	–
Outstanding at end of the year	84,433	149,300
Exercisable at end of the year	51,664	49,542

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.

31. Events after reporting period

Subsequent to the 31 December 2021 the Group entered into an agreement to acquire AFS Medical as disclosed on page 81. Consideration will be an initial cash purchase price of €4.5 million, including debt, with a further cash deferred consideration of up to €1.5 million based on EBITDA delivery in 2022-2024. The acquisition is expected to complete in mid-2022 following the required regulatory clearances. It is expected to add approximately €4 million to Group revenues in 2023 and to be earnings enhancing.

Subsequent to 31 December 2021, an armed conflict between Russia and Ukraine has developed, the risks of which have been considered on page 51.

There have been no other material events subsequent to the end of the reporting period ended 31 December 2021.

Company Statement of Financial Position

At 31 December 2021

	Note	2021 £'000	2020 £'000
Non current assets			
Investments in subsidiaries	3	**58,017**	58,017
Trade and other receivables	4	**21,482**	–
Loans and other financial assets		**–**	123
		79,499	58,140
Current assets			
Trade and other receivables	4	**14,485**	46,871
Cash and cash equivalents		**62,518**	46,880
		77,003	93,751
Current liabilities			
Trade and other payables	5	**(11,838)**	(5,995)
Net current assets		**65,165**	87,756
Net assets		**144,664**	145,896
Equity shareholders' funds			
Share capital	6	**10,804**	10,769
Share premium		**36,996**	36,288
Share-based payments reserve		**13,180**	11,142
Investment in own shares		**(164)**	(162)
Retained earnings		**83,848**	87,859
Equity attributable to equity holders of the parent		**144,664**	145,896

The Company reported a net loss for the year ended 31 December 2021 of £166,000 (2020: profit of £13,274,000).

The Financial Statements of Advanced Medical Solutions Group plc (registration number 2867684) on pages 131 to 138 were approved by the Board of Directors and authorised for issue on 14 April 2022 and were signed on its behalf by:

Chris Meredith
Chief Executive Officer

Company Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital £'000	Share-based payments £'000	Investment in own shares £'000	Share premium £'000	Retained earnings £'000	Total £'001
At 1 January 2020	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
Share-based payments*	–	1,979	–	–	–	1,979
Share options exercised	35	59	–	708	–	802
Shares purchased by EBT	–	–	(366)	–	–	(366)
Shares sold by EBT	–	–	364	–	–	364
Total comprehensive expense	–	–	–	–	(166)	(166)
Dividends paid‡	–	–	–	–	(3,845)	(3,845)
At 31 December 2021	**10,804**	**13,180**	**(164)**	**36,996**	**83,848**	**144,664**

* See note 7 and note 29 of the consolidated financial statements.
‡ See note 14 of the consolidated financial statements.

Notes to the Company Financial Statements

Year ended 31 December 2021

1. Significant accounting policies

Basis of preparation

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

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 2021

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 derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Derivatives

The Company uses derivative financial instruments to hedge its exposure to 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 twelve months and it is not expected to be realised or settled within twelve 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 the Income Statement 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 loss for the financial year ended 31 December 2021 of £166,000 (2020: Profit of £13,274,000).

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

The average monthly number of employees in the year was 16 (2020: 16), all of whom were classified as Administration (2020: same). The Directors' remuneration is detailed in Note 9 to the Consolidated Financial Statements.

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Staff costs for all employees, including Executive Directors, consists of:		
Wages and salaries	**3,891**	2,155
Social Security costs	**578**	168
Pension costs	**98**	89
Share-based payments (see Note 29 to the Consolidated Financial Statements)	**1,979**	1,611
	6,546	4,023

3. Investments in subsidiaries

	Investments in subsidiaries £'000
Cost	
At 1 January 2021	86,687
At 31 December 2021	**86,687**
Provisions for impairment	
At 1 January 2021	28,670
At 31 December 2021	**28,670**
Net Book value	
At 31 December 2021	**58,017**
At 31 December 2020	58,017

Shares in Group undertakings and loans to Group undertakings have been written down to recognise losses in subsidiary companies. Written down loans to Group undertakings form part of the net investment.

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

Name	Country of operation	Proportion of voting rights and Ordinary Share capital held	Nature of business	Registered address
Advanced Medical Solutions Limited	England	100%	Development and manufacture of medical products	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
Advanced Medical Solutions (UK) Limited	England	100%	Holding Company	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
AMS Trustee Company Limited	England	100%	Trustee Company	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
Advanced Medical Solutions (Plymouth) Limited	England	100%	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
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

Notes to the Company Financial Statements continued

Year ended 31 December 2021

3. Investments in subsidiaries continued

Name	Country of operation	Proportion of voting rights and Ordinary Share capital held	Nature of business	Registered address
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. The Company is the ultimate parent within the Group.

4. Trade and other receivables

	2021 £'000	2020 £'000
Non-current assets		
Amounts due from Group undertakings	**21,482**	–

	2021 £'000	2020 £'000
Current assets		
Prepayments and accrued income	**199**	287
Amounts due from Group undertakings	**14,175**	46,584
Derivative financial instruments	**111**	–
	14,485	46,871

Amounts Owed by Group undertakings	2021 £'000	2020 £'000
At 1 January	**48,924**	26,763
Movement	**(10,927)**	22,161
At 31 December	**37,997**	48,924
Provisions for impairment		
At 1 January	**2,340**	2,340
At 31 December	**2,340**	2,340
Net book value		
At 31 December	**35,657**	46,584

Amounts owed by Group undertakings relates primarily to funds provided to Advanced Medical Solutions Limited, a related party, to make acquisitions. The borrowings are typically repayable on demand and attract no interest. A revised facility was provided to Advanced Medical Solutions Limited in the year of £40 million, reducing to £20 million on 31 December 2022. The Company also acts as the central treasury hub providing short-term working capital and longer term funding to other Group entities depending on the specific needs of the individual entity. All amounts due from intercompany undertakings are unsecured.

5. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Amounts owed to group undertakings	**8,929**	4,823
Accruals and deferred income	**2,909**	1,172
	11,838	5,995

Amounts due to group undertakings are repayable on demand and attract no interest expense.

6. Share capital

Details of the share capital of the Company are provided in Note 27 on page 124 in the Notes to the Group's accounts.

Notes to the Company Financial Statements continued

Year ended 31 December 2021

7. Share-based payments

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

	2021 £'000	2020 £'000
Unapproved Executive Share Option Scheme, Enterprise Management Incentive Scheme and Company Share Option Scheme	**336**	253
Long-Term Incentive Plan	**1,006**	705
Deferred Share Bonus Scheme	**637**	653
	1,979	1,611

Details on the share-based payments of the Company are provided in Note 29 on pages 125 to 130 in the Notes to the Group's accounts.

Five Year Summary

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Consolidated Income Statement					
Revenue	**108.6**	86.8	102.4	102.6	96.9
Profit from operations (Pre-exceptional)	**23.0**	11.6	25.3	28.9	25.2
Profit attributable to equity holders of the parent (Pre-exceptional)	**17.5**	9.4	20.0	22.9	20.1
Basic earnings per share (Pre-exceptional)	**8.1p**	4.4p	9.3p	10.7p	9.5p
Consolidated Statement of Financial Position					
Net assets employed					
Non-current assets	**134.5**	141.4	115.2	86.0	84.5
Current assets	**115.0**	97.2	111.8	119.2	94.5
Total liabilities	**(36.8)**	(36.4)	(35.7)	(32.5)	(26.7)
Net assets	**212.7**	202.2	191.3	172.7	152.3
Shareholders' equity					
Share capital & investment in own shares	**10.6**	10.6	10.6	10.5	10.5
Share-based payments reserve	**13.2**	11.1	9.5	7.3	4.7
Share-based payments deferred tax reserve	**0.9**	0.4	0.6	0.7	0.8
Share premium account	**37.0**	36.3	36.2	35.2	34.8
Other reserve	**1.5**	1.5	1.5	1.5	1.5
Hedging reserve	**–**	1.2	0.6	(2.4)	0.6
Translation reserve	**(1.9)**	3.3	(0.2)	3.3	2.8
Retained equity	**151.4**	137.7	132.5	116.6	96.6
Equity attributable to equity holders of the parent	**212.7**	202.2	191.3	172.7	152.3

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:

- Constant currency measures revenue when excluding the effects of currency movements on non-pounds sterling sales.
- Adjusted measures are believed by the Directors to enable a reader to obtain a more effective year-on-year comparison and fuller understanding of routine business operations since they exclude large, unusual activities, in particular as a result of business combinations, which if included may distort a third parties perception of the profitability of the business. The principles to identify adjusting items have been applied to the current and prior year comparative numbers on a consistent basis.
- Adjusted profit before tax is shown before exceptional items which were £nil (2020: £0.8 million), amortisation of acquired intangible assets which was £3.2 million (2020: £2.3 million) and a long-term liability expense of £0.4 million (2020: £0.2 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 46).
- Net cash is defined as cash and cash equivalents plus short term investments less bank loans and financial liabilities excluding those relating to IFRS16.

Further information regarding the profit adjusting items an 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 liability expense (Note 12).

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