



Advanced Medical Solutions Group plc

# Resilience, innovation and growth

Annual Report & Accounts 2022

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

“Given the current challenging economic conditions, I am delighted with the resilience that our business has shown in delivering another period of strong financial performance.”

Chris Meredith, Chief Executive Officer

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## HIGHLIGHTS

<b>Group revenue</b> (£ million) <b>£124.3m</b> 2021: <b>£108.6m</b> Change: +14% (+10% at constant currency <sup>1</sup> ) 2020: <b>£86.8m</b>	<b>Diluted earnings per share</b> (p) <b>9.30p</b> 2021: <b>8.01p</b> Change: +16% 2020: <b>3.94p</b>	<b>Adjusted<sup>2</sup> profit before tax margin</b> (%) <b>22.9%</b> 2021: <b>23.6%</b> Change: -0.7pp 2020: <b>15.4%</b>
<b>Profit before tax margin</b> (%) <b>20.8%</b> 2021: <b>20.2%</b> Change: +0.6pp 2020: <b>11.6%</b>	<b>Adjusted<sup>2</sup> diluted earnings per share</b> (p) <b>10.47p</b> 2021: <b>9.66p</b> Change: +8% 2020: <b>5.44p</b>	<b>Net operating cash flow</b> (£ million) <b>£26.9m</b> 2021: <b>£31.0m</b> Change: -13% 2020: <b>£21.5m</b>
<b>Profit before tax</b> (£ million) <b>£25.9m</b> 2021: <b>£22.0m</b> Change: +18% 2020: <b>£10.1m</b>	<b>Net cash<sup>3</sup></b> (£ million) <b>£82.3m</b> 2021: <b>£73.0m</b> Change: +13% 2020: <b>£53.8m</b>	<b>Adjusted<sup>2</sup> profit before tax</b> (£ million) <b>£28.5m</b> 2021: <b>£25.6m</b> Change: +11% 2020: <b>£13.4m</b>
<b>AMS is pleased to report robust financial performance in line with expectations and significant regulatory and clinical progress, as we continue to invest in our portfolio of next-generation products.</b>		<b>Proposed full-year dividend per share (p)</b> <b>2.15p</b> 2021: <b>1.95p</b> Change: +10% 2020: <b>1.70p</b>

## Financial

- Strong revenue and profit growth despite challenging macro-economic conditions.
- Investment in R&D increased to £12.3 million (2021: £9.3 million), 9.9% of revenues, accelerating investment in key projects, including the Medical Devices Regulation.
- Surgical Business Unit revenues increased to £74.9 million (2021: £64.6 million).
- Woundcare Business Unit revenues increased to £49.5 million (2021: £44.0 million).

## Operational

- Good progress with FDA on US LiquiBandFix8® Pre-Market Approval (PMA), with approval on track for H2 2023.
- Seal-G® and Seal-G® MIST clinical study progressing well with over 80% of patients recruited. Final results are on track for H1 2023 for use in marketing during the commercial launch.
- LiquiBand® XL was launched in the US and received a positive market response.
- Completed the acquisition of AFS Medical GmbH, an Austria-based distributor of minimally invasive surgical devices.

## Post-period end

- Acquisition of Connexion Medical Ltd, a tissue adhesive technology specialist, in February 2023 for an initial upfront payment of €7 million with further deferred payments dependent on delivery of key milestones. The acquisition strengthens our position in the \$300 million global medical adhesive market and provides significant commercial opportunities.

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 amortisation of acquired intangible assets which was £3.4 million (2021: £3.2 million) and the movement in long-term liabilities recognised on acquisitions which was a credit of £0.8 million (2021: £0.4 million debit) and exceptional items which were £nil (2021: £nil), as reconciled in the Financial Review (see pages 40 to 42).

3. Net cash consists of cash and cash equivalents with nil debt (2021: £nil debt).

# AMS AT A GLANCE

## What we are:

Headquartered in the UK, we are a world-leading specialist in tissue-healing technologies employing over 800 people in 12 locations.

## Our Mission:

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

## 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.

9

Manufacturing and R&D locations

- |                                 |       |
|---------------------------------|-------|
| 1. Winsford, UK HQ              | ▲ ■ ● |
| 2. Plymouth, UK                 | ▲ ■ ● |
| 3. Stafford, UK                 | ▲ ■ ● |
| 4. Etten Leur, Netherlands      | ■ ●   |
| 5. Nuremberg, Germany           | ▲ ■ ● |
| 6. Domazlice, Czech Republic    | ■ ●   |
| 7. Neustadt, Germany            | ■     |
| 8. Haifa, Israel                | ▲ ■ ● |
| 9. Nantes, France               | ▲ ■ ● |
| 10. Vienna, Austria             | ●     |
| 11. Dublin, Ireland             | ▲ ●   |
| 12. Moscow, Russia <sup>1</sup> | ●     |

### Key for Map:

- ▲ R&D
- Manufacturing
- Sales

1. Small legacy sales office contributing less than 1% of operating profit.



>800  
Employees

### Our Cultural Values:



#### Care

Respects colleagues, encourages and values all contributions  
Focuses on the bigger picture  
Open minded and takes appropriate action



#### Fair

Takes **accountability** and **responsibility**  
**Transparent and open** in our communication and actions  
Acts as a **team player** to deliver outcomes



#### Dare

Demonstrates **determination & persistence**  
Uses **critical thinking and creativity** to find solutions  
**Finds value added improvements**

12

>80  
Countries sold into

8

£124.3m  
Group Sales

>100  
Distribution Partners

## AMS' resilience and innovation positions us to deliver long-term sustainable growth for investors



### Innovation and Growth

**A well-developed pipeline of innovative products and a series of strategic acquisitions have established a range of globally recognised tissue-healing brands, generating 9% revenue CAGR over 10 years. We believe that our ongoing commitment to innovation will create more growth drivers, recurring revenues and better outcomes for clinicians and patients, whilst providing value for payors.**

Ongoing investment in innovation through specialist R&D hubs continues to expand our range of revenue-generating product platforms with strong gross margins, reducing the reliance on any single market and generating more consistent, recurring revenues. In 2022 we invested £12.3 million in R&D, representing 9.9% of sales (2021: £9.3 million, 8.6% of sales).

We are underpinned by an established and profitable portfolio of in-house developed and acquired products. Successful commercialisation and growth have been achieved through our flexible distribution strategy in over 80 global territories. Continued expansion of this network is further extending the platform for growth.



### Manufacturing and Regulatory

**We manufacture almost all of our products across nine, specialist, multi-national locations. Extensive investment in regulatory infrastructure ensures a smooth transition of new products into the market at a time of increasing global regulatory requirements.**

The level of technical expertise, lean manufacturing practices and quality processes throughout all of our specialist facilities allows us to deliver top-quality products and excellent service to a broad range of customers.

The number of recent approvals across our product portfolio in the US market demonstrates our ability to work with the FDA and meet its requirements. In addition, significant investment in regulatory processes has enabled us to comply with increasing levels of regulatory requirements dictated by the new European Medical Devices Regulation (MDR) and we are well prepared to meet the deadlines that have been set.

# 15.4%

Sales from products launched in the previous five years

# 8.7%

Sales CAGR<sup>1</sup> over 10 years

1 Compound Annual Growth Rate

# 59.0%

Gross margin

# 87%

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

See **Our Strategy** in action on **pages 14 to 17**

See **Operating reviews** on **pages 20 to 23**



## Defensive markets

We operate in global healthcare markets where spending is increasing as the global population ages and where treatment backlogs are at a record high. The surgical and woundcare products we offer are used on a daily basis, making the business highly cash generative with recurring revenues. Our supply chain is tightly managed, helping to prevent any disruption to business while inflationary pressures are managed through negotiated price rises with our customers. In addition, the business is not leveraged, shielding it from interest fluctuations.

The essential nature of healthcare and increasing pressure on healthcare systems ensures a consistent and rising demand for tissue-healing technology used during surgical procedures, emergency intervention and the treatment of chronic wounds. The unprecedented length of surgery waiting lists illustrates the pent-up demand that fuels growth in these markets, while healthcare providers endeavour to accelerate patient throughput to address the backlog. In addition, our diversified range of product platforms allows us to mitigate against movements in the surgical or woundcare markets.

In spite of the global supply chain crisis, we have successfully managed the supply of raw materials, preventing any disruption to product shipment. Global inflationary pressure has been addressed through careful pricing negotiation with our customers, ensuring wherever possible that profits are not significantly impacted.



## Strong financials

Consistent top-line growth, good profitability and strong cash-generation after payment of a dividend has established a robust balance sheet. This enables us to invest in long-term growth opportunities and leverage our business model further through internal innovation and a targeted acquisition strategy.

With a cash position of £82.3 million (as at 31 December 2022) and significant debt-funding potential, we have the potential to leverage our business model further. This will be achieved through ongoing investment in our new product pipeline and strategically aligned acquisitions that can expand the technology base, increase manufacturing capability and enhance distribution coverage.

Through this organic and acquisitive growth strategy, we believe we can sustain robust, long-term growth ahead of the market rate, increase our profitability and maximise returns for shareholders.

**85**

Countries sold into

**32.8%**

US sales as % of Group

**£26.9m**

Net operating cashflow

**22.9%**

Group adjusted profit margin

See Operating reviews on pages 20 to 23

See KPIs on pages 18 to 19

# 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.



**9.9%**

of sales invested in R&D

### Regulatory approval

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



**2**

new product launches



### Routes to market

Flexible routes to market incorporating our direct sales team, 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 26

## UNDERPINNED BY OUR ESG FRAMEWORK



Planet



People



## OUR STRATEGIC PILLARS



## DELIVERING FOR OUR STAKEHOLDERS



### 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 to minimise operational risk.



### People and Culture

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

For information see **Our Strategy** on pages 14 to 17



#### 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 technologies 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

Getting involved in our Communities and minimising our impact on the Environment.



#### Our Supply Chain

Developing strong, mutually beneficial relationships with our Supply Chain.

For information on **Our Stakeholders** see pages 25 to 26



**A**dvancing sustainability  
**M**inimising environmental impact  
**S**ocially responsible

For Information on our **ESG policies** see pages 28 to 39



# Resilience, Innovation and Growth

## Resilience

Given the challenging global economic conditions, AMS's 2022 performance demonstrates strong resilience. The world experienced an unusually high number of significant challenges in 2022 related to residual COVID-19 factors and the impacts of the war in Ukraine, such as the global supply chain crisis, staff shortages, high inflation, high interest rates and volatile exchange rates. Our business model, financial structure and balance sheet strength makes us less exposed to these external factors than many other businesses.

We proactively managed our supply chain to improve resilience, by increasing inventory levels and dual sourcing certain key raw materials. As a consequence we experienced no significant impacts of the supply chain crisis. In addition, we negotiated price increases from our customers that enabled us to recover the majority of the impacts of high inflation and protect our value.

We delivered gross 4% cost reduction projects across our sites to partially offset cost inflation, protecting our margin against the impacts of the rising cost-of-living, inflation and raw material costs, and strengthening the resilience of our business. Our investment in an external consultant to support our 'Pathway to Net Zero' work will help us to reduce our carbon footprint and further reduce costs.

The resilience of the business requires the dedication, hard work and adaptability of our employees. We have taken a number of actions to support our employees, who are key stakeholders, including supporting lower earners with additional cost-of-living payments, managing COVID safe environments across all of our operating sites, while supporting our operations by restructuring and recruiting new talent to the operations leadership team. Our ESG activities further enhance the resilience of the business and support our employees, resulting in low attrition and an increased employee engagement score.

All sites have completed continuous improvement maturity assessments and are deploying our continuous improvement framework, focused on a mix of lean and six-sigma application. Heightened quality awareness through further investment in training and "quality days", continued good safety performance and implementation of key investments to deliver capacity, reduce cost and lower business risk all enabled our employees to be resilient and help our commercial teams to deliver our 2022 results.

Revenue

# £124.3m

(2021: £108.6m), +14%  
(+10% at constant currency<sup>1</sup>)

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

Adjusted<sup>2</sup> profit before tax**£28.5m**

(2021: £25.6 million) +11%

Net cash<sup>3</sup>**£82.3m**

(2021: £73.0 million) +13%

**Innovation**

We increased our investment in innovation, making significant progress with Seal-G®, our novel internal biological sealant to address a large unmet need to reduce leaks in gastrointestinal surgery. Its first human trial is on track for completion in H1 2023 and first end-user sales to surgeons were achieved in early 2023 ahead of the European launch in H2 2023.

Our Group R&D team also made innovation advances, including progressing several key projects in our innovation and development pipeline, developing an in-house manufacturing process for collagen membrane, setting up a Group stability capability and introducing an improved process for identifying new innovations to meet unmet patient needs.

The acquisition of Connexion Medical brings a highly experienced R&D team with a new medical adhesive development hub in Dublin, strengthening AMS's ability to develop and launch innovative adhesive and sealant technologies.

We made significant progress in meeting MDR standards and expect to complete the project well ahead of the new 2027/2028 deadline.

**Growth**

We delivered record sales in 2022 with all product categories delivering year on year growth. Both Business Units performed well, with Surgical sales in LiquiBand® Rest of World, Biosurgicals and LiquiBandFix8® driving growth and the Woundcare ActivHeal® expansion strategy progressing well, with new partners appointed in markets where key partners have a low presence. The strategic review of our US LiquiBand® routes to market and product offering is progressing well and is expected to drive stronger growth in this key market sector from mid-2023.

The Premarket Approval (PMA) for LiquiBandFix8®, expected in H2 2023, adds a major new growth opportunity as the first product of its kind in the US with launch anticipated at the end of 2023.

The investments in our in-house and acquired technologies enable us to deliver returns across a broader product range and validate our growth strategy. We are committed to investing in R&D and acquisitions to further strengthen our established portfolios while penetrating new markets and maintaining long-term sustainable growth.

**Summary**

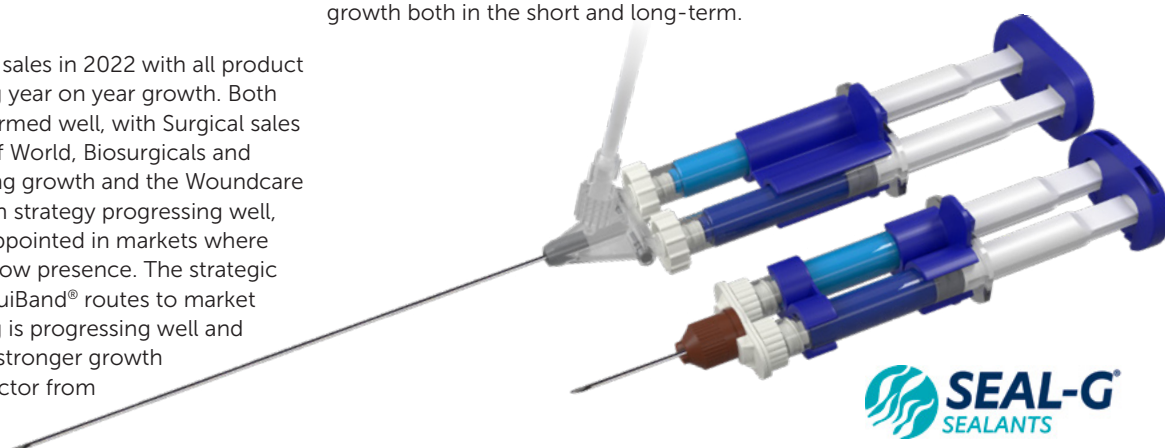
The Group is well placed to navigate the macro-economic challenges. We have proven our ability to recover the majority of energy and other cost inflation by increasing selling prices, are insulated from high interest rates due to our cash position and our products do not rely on consumer demand exposed to recessionary factors.

These factors, along with the proven commercial strategy to increase market share in our large markets with innovation and geographical expansion, leaves us well placed for continued growth both in the short and long-term.

Investment in R&amp;D

**£12.3m**

(2021: £9.3 million), representing 9.9% of revenues (2021: 8.6%)



2. Adjusted profit before tax is shown before amortisation of acquired intangible assets which was £3.4 million (2021: £3.2 million) and the movement in long-term liabilities recognised on acquisitions which was a credit of £0.8 million (2021: £0.4 million debit) and exceptional items which were £nil (2021: £nil), as reconciled in the Financial Review (see pages 40 to 42).

3. Net cash consists of cash and cash equivalents with nil debt (2021: £nil debt).

## CHIEF EXECUTIVE'S Q&A



Chris Meredith,  
Chief Executive  
Officer

The Group performed well in 2022 and made good progress on key projects to strengthen our future growth prospects.

### Q How do you assess the performance of the Group in 2022?

A I am pleased with the resilience that our business has shown in delivering another period of strong financial performance in the current challenging economic conditions. Revenue increased to £124.3 million (2021: £108.6 million) and profit before tax increased to £25.9 million (2021: £22.0 million).

### Q What is the background to the strategic review of US LiquiBand®?

A The strategic review of our US LiquiBand® business was to assess and streamline our routes to market and product offering in order to help drive stronger growth in this key market sector. As part of this initiative, we identified and first made contact with Connexion as a potential acquisition target. We intend to complete this strategic review during 2023 and it is expected that this will result in improved market access and growth potential from mid-2023.

### Q How is the product portfolio progressing?

A The investments we have made in our in-house and acquired technologies have strengthened the quality and breadth of our portfolio enabling us to deliver returns across a broader range and validate our growth strategy. We are committed to investing in R&D and acquisitions that will further strengthen our established portfolios while continuing to penetrate new markets, and maintaining robust growth in the long-term.

### Q How is the Group coping with global supply chain and inflation conditions?

A We have taken proactive steps to mitigate risks arising from global supply chain challenges such as increasing inventory levels and setting up alternative suppliers where feasible. As a result, shortages of material have not had a significant impact on our ability to supply products to our customers. Given the long shelf life of our materials and finished goods, the risk of inventory obsolescence is low but is closely monitored and provisions are made where relevant. We continue to closely monitor the global supply chain situation.

Inflationary pressures continue to be felt across the business through higher cost of goods, energy prices and staff costs. However, we continue to successfully recover a significant proportion of this impact from our customers through price review negotiations.

### Q What is the update on the Medical Devices Regulation?

A In December 2022, the EU Commissioner announced that the enforcement of the Medical Devices Regulation (MDR) would be delayed until 2027 or 2028 depending on the classification of the device. Given the progress we have already made, we expect positive responses to our applications for certificate extensions for product certificates expiring before these dates. It is anticipated that competitors that have not made MDR progress may be unable to secure such extensions.

We plan to maintain our current schedule of work to meet the new standards and anticipate that the phasing of our capitalisation of R&D costs relating to MDR will be broadly unchanged. At the current time, of the 55 AMS product groups going through MDR, 30 have been approved or are awaiting self-declaration, 19 are with the Notified Bodies ahead of their review and the remaining 6 files are being readied for submission to Notified Bodies in the next 12 months.

### Q How did the Group's key clinical and innovation projects progress during the year?

A Investment in R&D increased to 9.9% of revenues as the Group continues to strengthen its pipeline by accelerating investment in new products and MDR.

Seal-G<sup>®</sup> MIST (laparoscopic surgery) and Seal-G<sup>®</sup> (open surgery) are novel, internal, biological sealants used to seal tissue during gastrointestinal surgery to reduce bleeding and leakage of fluid. The trial continues to progress well with over 80% of the 160 procedures now complete, with results on track for H1 2023 and launch planned for H2 2023.

In October 2022, AMS reported that the Premarket Approval (PMA) for LiquiBandFix8<sup>®</sup> had been submitted and accepted by the FDA. Since then, FDA engagement has been high and the process is progressing well with approval on track for H2 2023. This would be the first product of its kind in the US and the anticipated launch in 2024 represents a significant commercial opportunity for AMS.

### Q How is the M&A strategy progressing?

A The Group continues to seek acquisitions that deliver additional value for shareholders and meet the criteria of being accretive businesses with strong R&D and manufacturing capabilities, and/or that have products or customers that offer effective commercial synergies.

In line with our stated strategy, the acquisition of AFS Medical in March 2022 underlined the Group's ambition to expand our direct surgical footprint and capability. The acquisition of Connexion Medical in February 2023 illustrates our commitment to further expanding key portfolios and ensuring that we remain at the forefront of our core technologies.

Whilst in recent years the Group's completed transactions have been strategic bolt-ons, a key focus of the recently formed Corporate Business Development team is on identifying larger, more transformative targets. With cash of £82.3 million at the end of 2022, and access to extensive debt facilities, we are well placed to execute a deal of this nature.

### Q What progress has been made on ESG in 2022?

A Our ESG strategy remains focused on our environmental impact, the wellbeing of our workforce, driving equality, diversity and inclusion, and further strengthening our corporate governance, internally and across our supply chain. We believe that being a good corporate citizen is critical to our long-term sustainable success.

Building on the ESG framework we developed in 2021, the Group has made good progress in 2022. An important step during the year was the appointment of Inspired plc as our ESG partner. We have worked with Inspired to create a 'Pathway to Net Zero' with an initial focus on calculating our Scope 3 emissions and a Carbon Balance Sheet.

The ESG Steering Committee continues to manage ESG activities across the Group and have been supplemented with a network of local ESG champions representing each site and function, as well as an Equality, Diversity and Inclusion Committee.

### Q What is the outlook for 2023 and beyond?

A The Group is well placed to navigate the ongoing macro-economic challenges. We have proven our ability to recover the majority of energy and other cost inflation by increasing selling prices, are insulated from high interest rates due to our cash position and our products do not rely on consumer demand exposed to recessionary factors.

These factors, along with our proven commercial strategy to increase our market share in our large markets with innovation and geographical expansion, leave us well placed for continued growth both in the short and long-term.

Influenced by the strategic review of our US LiquiBand<sup>®</sup> business, and the associated 2024 launch timing for the US Connexion products, we expect weak US LiquiBand<sup>®</sup> demand in H1 2023 as we finalise the strategic discussions across our partner base, followed by recovery in H2 2023 and much stronger growth thereafter.

Given AMS' resilience and the strength of its overall portfolio, the Group remains on track to meet market expectations for 2023.

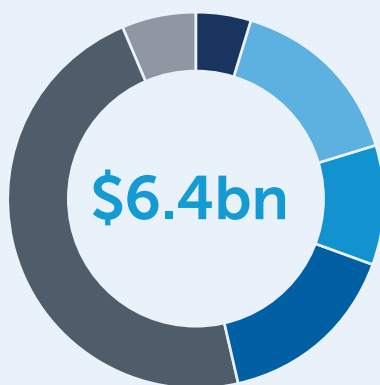
**Chris Meredith**  
Chief Executive Officer  
18 April 2023

## MARKET & BUSINESS OVERVIEW

We develop tissue-healing technologies in global 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<sup>1</sup> 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

**\$1bn** – Internal Sealants – Seal-G®/Seal-G® MIST

**\$3bn** – Sutures – RESORBA®

**\$0.4bn** – Internal Fixation – LiquiBandFIX8®

#### Tissue Adhesives – LiquiBand®

LiquiBand® is our most successful product range, having gained over 20% of end-volumes in the US market. The brand has recovered well since the COVID-19 pandemic and we are confident of increased growth from mid-2023 as we progress the strategic review of our product offering and routes to market. The launch of LiquiBand® XL (large wounds) in 2022 was an important development for the brand, providing access to a new \$60 million market and unlocking further growth potential for the LiquiBand® business. Additional expansion in the EU, APAC and LATAM regions continues to support growth for the brand.

#### Biosurgical Devices – Collagens

We compete 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 our first collagen approval in the US, with a 510(k) submission expected in 2023 for a dental application.

#### Biosurgical Devices – Bone substitutes

The Group's range of Bi-phasic Tri-calcium phosphate products addresses the \$650m ceramics segment of the synthetic bone substitute market. The new RESORBA® branded bone substitutes range, launched in 2021 and rolled out in a number of European countries in 2022, has shown a promising start. The Group continues to work towards its planned bone substitute pilot launch into the US market in mid 2023, using independent reps.

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

The CE mark awarded to 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 H1 2023, with a full European launch to follow. Key Opinion Leader feedback continues to be positive and we remain excited about the opportunity that this product presents in answering a high unmet patient need for an effective GI sealant.

#### 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. Although this portfolio has been established in predominantly European markets, the Group's ongoing strategy to expand the geographic reach of existing products, is making a significant contribution to revenues.

#### Internal Fixation – LiquiBandFIX8®

Our LiquiBandFIX8® brand enables entry to the hernia mesh fixation market, removing the need for staples or tacks, which reduces pain and recovery time. Product revenues grew strongly in Europe during 2022, supported by a UK National Institute for Clinical Excellence recommendation and the recent AFS acquisition. A Premarket Approval (PMA) for LiquiBandFix8® was submitted and accepted by the FDA in H2 2022 and US approval is expected in H2 2023, representing a significant commercial opportunity in 2024.

<sup>1</sup> Sourced from various third-party data sources, market reports and internal estimates.

**\$6.4bn**

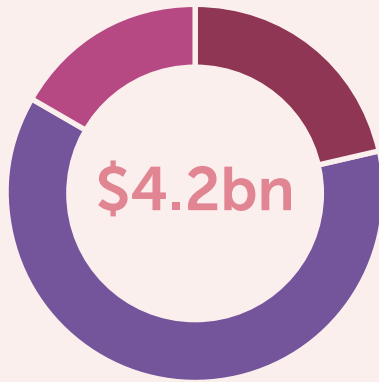
Global Surgical market

**\$4.2bn**

Global Advanced Woundcare dressings market

## Woundcare

The global Advanced Woundcare dressings 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 is summarised below.

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

### Infection Management

Our antimicrobial range targets the market for foam and fibre dressings that are used to treat hard-to-heal wounds at risk of infection. The Group sustains a competitive edge through innovation, which includes dressings that incorporate silver and Polyhexamethylene Biguanide (PHMB) technology.

### Exudate Management

We specialise 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 for dressings in the negative pressure market.

### Other Advanced Woundcare Dressings

The global market of other advanced dressings for woundcare 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



## Growth

+14%

Revenue  
(2021: +25%)

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

### Key KPIs

- Revenue movement.
- Growth in EPS.

 See **pages 18 to 19**

### What we have achieved in the year

- Delivered strong growth across multiple product categories in both Business Units.
- Further geographical expansion via ActivHeal® overseas, as well as Surgical products into APAC.
- Secured ownership and distribution of microbial surgical sealant, InteguSeal®, to enable meaningful revenue generation.

### Plans for the year ahead

- Connexion acquisition in early 2023 adds an existing European and APAC business and enhances our US portfolio with approvals expected by early 2024.
- Bone substitute pilot launch mid 2023, using independent reps.
- Launch of Seal-G® is expected in late 2023, following results from the initial clinical trial.
- Significant ActivHeal® growth expected from partners appointed in recent years.
- Further increased demand expected for specialist medical bulk materials.

### Future priorities

- Diversifying the customer base and product range to reduce exposure to individual customers and products.
- US approvals to be sought for the wider surgical product portfolio which has huge potential for the Group.
- Further planned clinical trials for Seal-G® to significantly increase its potential. Other procedure types such as oesophageal and pancreatic surgery could drive additional demand.
- Investment in clinical programme to support MDR readiness to secure claims extensions, reimbursement and revenue growth.
- Deliver additional value from acquisitions, delivering on multiple growth opportunities and exploit the inherent commercial, operational and regulatory synergies.



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.

#### Key KPIs

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

➔ See **pages 18 to 19**

#### What we have achieved in the year

- Approved and launched LiquiBand® XL providing access to a new \$60 million market and unlocking further growth.
- Good progress with the first clinical trial for Seal-G® to address a large unmet need to reduce leaks in GI surgery.
- Achieved major milestone towards accessing the sizable US Fix8 opportunity with PMA submission in October 2022.
- introduced an improved process for identifying new innovations to meet unmet patient needs.
- Progressed several key projects in our innovation and development pipeline.

#### Plans for the year ahead

- US approval and launch of Fix8® expected around the end of 2023 represents a significant commercial opportunity.
- Application of collagen technology into developing a tissue scaffold designed to treat hard-to-heal and stalled wounds. Currently reviewing FDA questions on our 510(k) submission.
- Progress the next-generation bone substitute through internal focus and external collaborations.
- Progress early-stage innovation products into the product development process.

#### Future priorities

- Strong and cohesive partnership with commercial teams developing products that meet large unmet patient needs.
- World-class execution of R&D projects delivering high-quality products to market in a timely manner.
- A pipeline of products that are truly novel and innovative.
- Integrated, global R&D function supporting strategic business objectives.



## Innovation

# 15.4%

Sales from products launched in the previous five years (2021: 12.8%)

## OUR STRATEGIC PILLARS CONTINUED

# Operational Excellence



87%

On-Time-In-Full (OTIF)  
(2021: 88%)

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.

### Key KPIs

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

➔ See **pages 18 to 19**

### What we have achieved in the year

- Proactive management of supply chains in unprecedented global conditions; actions include increasing inventory levels and dual sourcing of key raw materials where feasible.
- Delivered projects achieving a 4% gross cost reduction to partially offset cost inflation.
- Good progress on MDR (55 product groups; 30 have been approved or are awaiting self-declaration, 19 are with the Notified Bodies and 6 files are being readied for submission).
- Expanded Plymouth facility to accommodate further growth and transfer of our Seal-G® assembly process from Israel.

### Plans for the year ahead

- Complete inventory build and further dual sourcing of key raw materials where feasible to mitigate supply chain conditions and MDR.
- Plans in place to deliver greater-than 4% gross cost reduction across the sites in 2023.
- Gross margin improvement.
- Increased customer service metrics e.g. OTIF.

### Future priorities

- Continuous improvement culture drives process improvement, cost reduction and improved quality.
- Optimised supply chain processes to consistently deliver high level of customer service and customer satisfaction to delight our customers regardless of global conditions.
- Optimised Product Development Process delivering speed to market through 'right-first-time' product approval and effective industrialisation.
- Ensuring that our people have the capability, expertise and resources to drive success.

Our employees drive our success. We actively promote our Care, Fair, Dare values, measure employee engagement and develop engagement plans. We encourage internal promotions and invest in apprenticeships to build our future talent. We are stronger together.

**Key KPIs**

- Employee attrition.
- Employee Engagement Score.

➔ See **pages 18 to 19**

**What we have achieved in the year**

- Revitalised performance management process to focus on strengths-based assessments linked to Care, Fair, Dare values.
- Global Employee Survey conducted, improving our engagement score for neutral or positive employees to 87%. (2021: 83%).
- CEO Live Global Webcasts allowing two-way communication for all employees.
- Increased and more accessible training and development.
- Employee Inclusion Groups on topics such as mental health awareness, diversity and menopause.
- Embedded ESG framework and processes and delivered meaningful progress (as detailed on **page 35**), including a number of activities which positively impacted our employees.

**Plans for the year ahead**

- Roll out of D.R.I.V.E. initiative: Development, Role Definition, Individual Performance, Values Focus and Employee Recognition.
- Corporate Training Programme to ensure technical competency of all employees is promoted to continue to develop individuals.
- Introduce recruitment assessment criteria to minimise bias in recruitment.
- Introduce Career Roadmaps in key areas.
- Annual Development Focus Area – Building quality into all we do.
- Improved flexibility for employees re hybrid working and flexible working.
- Further progress ‘Pathway to Net Zero’, considered important by our employees and the Board.

**Future priorities**

- Strengthen our Care, Fair, Dare framework to nurture how we interact and achieve success as a team.
- Commitment to attract, develop and retain a diverse talented workforce.
- Listening to all views, taking feedback and proactively seeking ways to remain agile and customer-centric.
- Maintaining highest levels of health and safety.
- ESG activities to continue to drive positive change and ensure that key stakeholders understand our commitments to sustainability.



# People and Culture

**84%**

Employee Engagement score (2021: 76%)



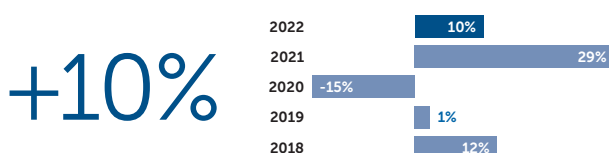
# OUR KEY PERFORMANCE INDICATORS

## Measuring success

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

### Financial KPIs

#### Revenue movement at constant currency<sup>1</sup> %



#### Definition

Net revenue adjusted for constant currency<sup>1</sup>.

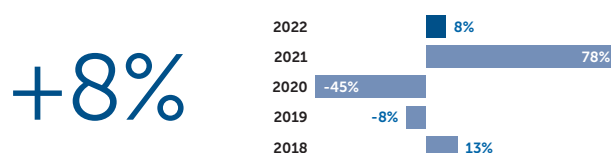
#### Strategic linkage

Revenue growth is a key factor in providing long-term value for our shareholders and demonstrates the successful execution of the Group's strategy.

#### Progress made in the year

Group revenue increased to £124.3 million (2021: £108.6 million), an increase of 14%, or 10% at constant currency, driven by commercial progress, foreign exchange tailwinds and higher pricing to recover inflationary cost increases.

#### Adjusted<sup>2</sup> diluted earnings per share (EPS) movement %



#### Definition

Movement in adjusted<sup>2</sup> diluted EPS achieved in the year.

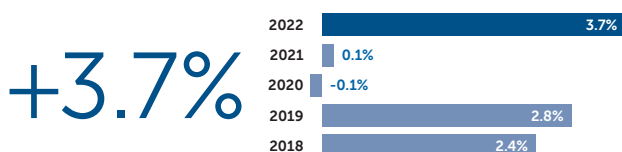
#### Strategic linkage

EPS growth is a measure of financial progress and an important factor in our aim of providing value for our shareholders.

#### Progress made in the year

Adjusted diluted earnings per share increased by 8% to 10.47p (2021: 9.66p) reflecting the Group's increased earnings after tax. Diluted earnings per share increased by 16% to 9.30p (2021: 8.01p).

#### Year-over-year change in our average standard cost<sup>3</sup> %



#### Definition

Measures the change in standard cost base<sup>3</sup> against prior year.

#### Strategic linkage

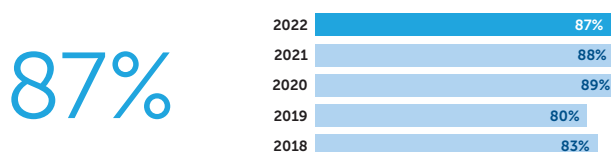
Controlling our product Standard Costs is important for the sustainability of the Group and demonstrates the successful execution of our strategy.

#### Progress made in the year

High inflation caused by the global economic crisis resulted in it not being possible to reduce our standard costs in 2022. Inflation was felt across the business through higher cost of goods, energy prices and staff costs. As a result, the standard cost base increased by 3.7% in 2022 (2021: increase of 0.1%) despite operational improvement activity.

### Non-Financial KPIs

#### Customer Service (OTIF) %



#### Definition

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

#### Strategic linkage

High OTIF ensures that patients have access to our products and enable us to retain customers, meet contractual commitments and protect growth.

#### Progress made in the year

Proactive management of its supply chain enabled AMS to retain a fairly stable OTIF of 87% (2021: 88%) despite the global supply chain challenges facing most companies. Ongoing initiatives such as increasing inventory levels and setting up alternative suppliers where feasible, enable us to target higher OTIF levels for 2023 and beyond.

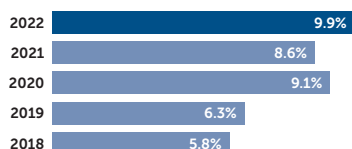
1. Constant currency removes the effect of currency movements by re-translating the current year's performance at the previous year's exchange rates.  
 2. Adjusted profit before tax is shown before amortisation of acquired intangible assets which was £3.4 million (2021: £3.2 million) and the movement in long-term liabilities recognised on acquisitions which was a credit of £0.8 million (2021: £0.4 million debit) and exceptional items which were £nil (2021: £nil), as reconciled in the Financial Review (see pages 40 to 42).  
 3. Net cash consists of cash and cash equivalents with nil debt (2021: £nil debt).

Key to strategic linkage in this report



% of revenue spend on R&D & Innovation

9.9%



Definition

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

Strategic linkage

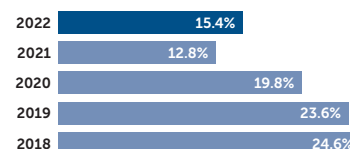
As a developer of innovative and technologically advanced products, investing resources in this area is critical to fulfilling the strategic goals of the business.

Progress made in the year

The Group incurred £12.3 million of gross R&D spend in the period (2021: £9.3 million), representing 9.9% of sales (2021: 8.6%), reflecting increased investment in innovation and in meeting increasing regulatory standards.

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

15.4%



Definition

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

Strategic linkage

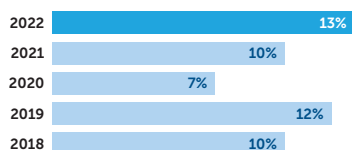
Development and commercialisation of new products to address unmet patient needs and grow the business is a fundamental part of strategy.

Progress made in the year

Enhanced by the launch of LiquiBand® XL, sales of new products increased to 15.4% (2021: 12.8%) LiquiBand® XL growth and the imminent launches of LiquiBandFix8® in the US and Seal-G® are expected to contribute further in the near-term.

Employee attrition %

13%



Definition

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

Strategic linkage

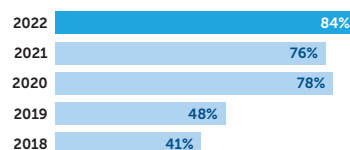
Reasonable levels of employee turnover are important for the future success of the business and to help to embed its' culture. It can be considered beneficial, supporting new ideas and to introduce best practices from outside the Group.

Progress made in the year

AMS continues to attract quality talent to meet its growing needs. We did see increased attrition of 13% (2021: 10%) due to the impacts of global labour shortages and higher labour mobility driven by post-COVID working practices. We expect continuing increased employee engagement and communication to keep attrition manageable.

Employee Engagement Score %

84%



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

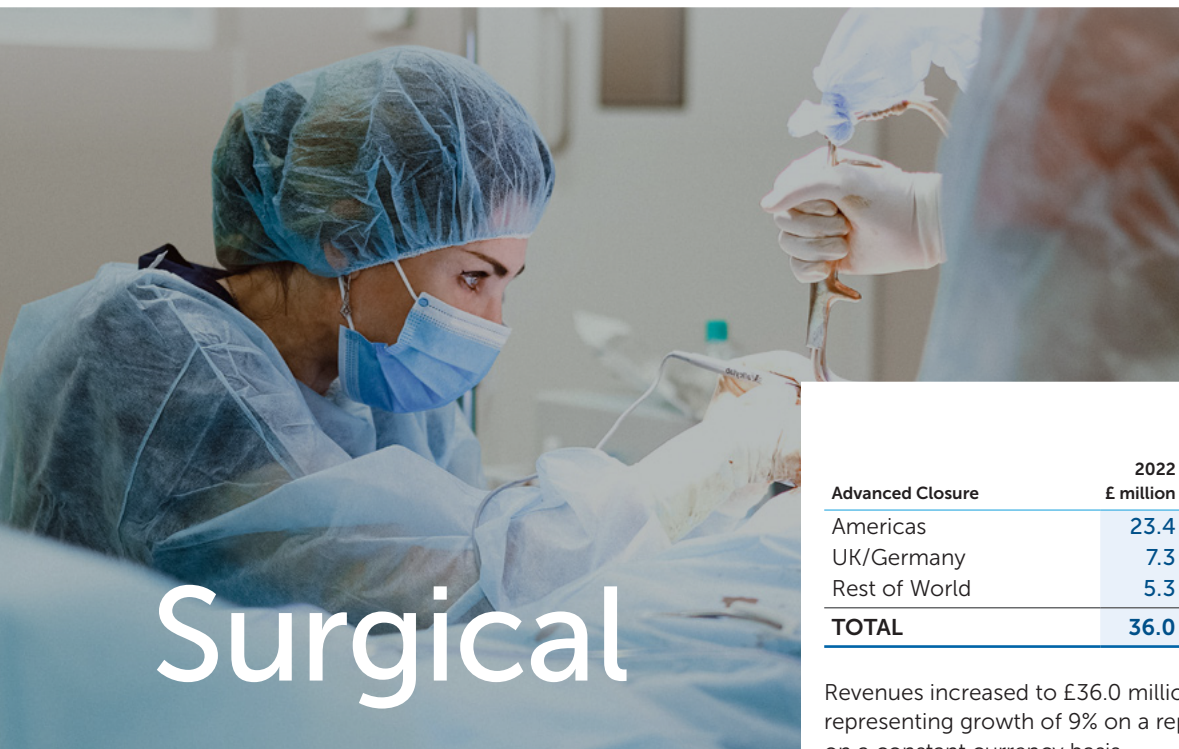
How successfully we have embedded our culture. An increasing score indicates more engaged employees, leading to more productivity and happiness, leading to higher retention.

Progress made in the year

The engagement score in 2022 increased to 84% (2021: 76%). Participation in the survey increased to 74% (2021: 69%), providing a broader range of employees views. In 2022 we used Culture Amp software to benchmark our engagement with other companies. Based on the external benchmark our engagement score for neutral or positive employees increased to 87% (2021: 83%).

# OPERATING REVIEW

## SURGICAL BUSINESS UNIT



# Surgical

### Group performance

The Group delivered record sales of £124.3 million driven by good commercial progress from both Business Units.

### 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®.

Growth in the Surgical Business Unit was driven by strong performances from the Biosurgical Devices and Internal Fixation products. Revenue increased by 16% in the period to £74.9 million (2021: £64.6 million) and by 12% on a constant currency basis.

Surgical Business Unit	2022 £ million	2021 £ million	Reported Growth	Change at constant currency
Advanced Closure	36.0	33.1	9%	1%
Internal Fixation and Sealants	4.1	2.6	60%	60%
Other Distributed	2.9	0.0	-	-
Traditional Closure	16.0	14.9	7%	6%
Biosurgical Devices	15.8	14.0	13%	13%
<b>TOTAL</b>	<b>74.9</b>	<b>64.6</b>	<b>16%</b>	<b>12%</b>

### 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.

Advanced Closure	2022 £ million	2021 £ million	Reported Growth	Change at constant currency
Americas	23.4	22.4	5%	-6%
UK/Germany	7.3	6.3	17%	17%
Rest of World	5.3	4.5	19%	17%
<b>TOTAL</b>	<b>36.0</b>	<b>33.1</b>	<b>9%</b>	<b>1%</b>

Revenues increased to £36.0 million (2021: £33.1 million) representing growth of 9% on a reported basis and 1% on a constant currency basis.

Strong growth in LiquiBand® globally was partially offset by weakness in US revenues and consequently US sales increased by only 5% at reported currency and declined by 6% at constant currency.

In 2022, the Group began a strategic review of its US LiquiBand® business which involves assessing and streamlining its routes to market and product offering in order to help drive stronger growth in this key market sector. As part of this initiative, we identified and first made contact with Connexicon as a potential acquisition target. We intend to complete this strategic review process during 2023 and it is expected that this will result in improved market access and growth potential from H2 2023. As a consequence of the ongoing changes, we had reduced orders from one partner in H2 2022 and this is expected to continue throughout H1 2023.

Following its approval in H1 2022, LiquiBand® XL delivered a strong launch in H2 2022, with £0.6 million of initial US orders fulfilled, strengthening our optimism in the short and long-term potential of LiquiBand® XL in the fast-growing \$60 million long wound market and unlocking further growth potential for the LiquiBand® business. The US approval is to be extended in early 2023 with the addition of a product that can close wounds up to 60cm rather than the current maximum of 40cm.

Going forward, we remain highly confident of delivering growth with LiquiBand® in the US, especially as we start to reap the benefits of adding LiquiBand® XL and the recently acquired Connexicon Medical products to our portfolio.

The acquisition of Connexicon Medical in February 2023 brings an existing Indermil® Flexifuse® business in Europe and APAC, progress towards accessing the large Chinese market and an

exciting, enhanced portfolio for the US market that provides significant commercial synergies, with approvals expected by early 2024. The addition of Connexicon’s highly experienced R&D team to the Group has provided AMS with a medical adhesive development hub in Dublin, strengthening the Company’s ability to develop and launch innovative adhesive and sealant technologies in the coming years.

Outside the US market, the LiquiBand® brand continued to perform very strongly, with underlying growth of 17% in the UK/Germany and the Rest of the World markets. AMS is encouraged to see early-stage traction building for LiquiBand® XL outside the US, and this is now contributing to growth.

In addition, the Group has recently taken over the direct ownership and distribution of InteguSeal®, a cyanoacrylate microbial surgical sealant that has the potential to deliver sales significantly above the low levels historically achieved by our partner. AMS is now looking at options for broader global distribution that have the potential to generate more meaningful revenue. The first direct order was shipped to a new partner in Japan in late 2022 and there is significant business development activity planned in other key EU and APAC markets in early 2023.

#### Internal Fixation and Sealants

LiquiBandFix8® uses individual, accurately delivered drops of cyanoacrylate adhesive inside the body, to fix hernia meshes in place, instead of sutures or tacks.

A strong performance from LiquiBandFix8® was supported by the UK National Institute for Clinical Excellence (NICE) recommendation and the AFS acquisition as revenues increased to record levels of £4.1 million (2021: £2.6 million) an increase of 60% at reported and constant currency. The marketing expertise from AFS will be beneficial to other marketing teams and will help to increase traction in more specialist minimally invasive surgical markets.

In October 2022, AMS reported that the Premarket Approval (PMA) for LiquiBandFix8® had been submitted and accepted by the FDA. Since then, FDA engagement has been high and the process is progressing well with approval on track for H2 2023 with an anticipated launch in 2024.

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. The trial continues to progress well with over 80% of the 160 procedures now complete, with results on track for H1 2023 and launch planned for H2 2023.

Key Opinion Leader feedback continues to be highly positive and AMS remains excited about the opportunity for Seal-G® products in answering a high unmet patient need for an effective GI sealant. Beyond colon surgery, the Company sees opportunities to drive demand in surgeries with other potential indications that experience high leakage rates, for example oesophageal and pancreatic surgery. In early 2023, we received our first end-user commercial order from a UK surgeon who is using SEAL-G® in oesophageal surgery to reduce the risk of leaks.

#### 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 7% to £16.0 million and by 6% at constant currency (2021: £14.9 million).

This portfolio has been established in predominantly European markets. However, in line with the Group’s ongoing strategy to expand the geographic reach of existing products, recent successes in the US dental market made a significant contribution to Traditional Closure revenues during the period.

#### 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 13% at reported and constant currency to £15.8 million (2021: £14.0 million).

Demand for collagens both with and without antibiotics continued to drive growth in Europe in 2022, including an increased focus on the cardiovascular market with a supplementary brand and a new specialist partner network. AMS’s strategy to expand its distribution network into new territories has also been working well, with particular success in the Far East where one of its distributors was the first to exceed annual collagen revenues of £0.5 million.

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

The RESORBA® branded bone substitutes range has shown a promising start following its launch in 2021, rolling out in a number of European countries during 2022. The Group continues to work towards a bone substitute pilot launch into the US in mid-2023, using independent reps..

#### Other Distributed Products

Following the acquisition of AFS, the Other Distributed category comprises products distributed by AFS, including minimally invasive access ports and laparoscopic instruments. This category excludes sales of LiquiBandFix8® which are recorded within the Internal Fixation and Sealants category. Since acquisition, AFS performance has been in-line with expectations.

**Below:**  
Surgical product range



# OPERATING REVIEW

## WOUNDCARE BUSINESS UNIT



# Woundcare

### 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.

The Woundcare portfolio growth was driven by increased orders from OEM partners, growth in ActivHeal®, bulk materials and royalties as well as increased pricing to recover inflationary cost increases. Revenue increased by 13% to £49.5 million (2021: £44.0 million) and by 8% on a constant currency basis.

Woundcare Business Unit	2022 £ million	2021 £ million	Reported Growth	Change at constant currency
Infection Management	16.1	15.1	7%	2%
Exudate Management	23.4	21.7	8%	7%
Other Woundcare	9.9	7.2	38%	26%
<b>TOTAL</b>	<b>49.5</b>	<b>44.0</b>	<b>13%</b>	<b>8%</b>

### Infection Management

The Infection Management category comprises Advanced Woundcare dressings that incorporate antimicrobials such as Silver and Polyhexamethylene Biguanide (PHMB). Revenue increased by 7% on a reported basis and by 2% on a constant currency basis to £16.1 million (2021: £15.1 million).

The Group's growth in the infection management market continues to be affected by reimbursement issues in a number of territories, driving greater use of standard dressings over higher priced anti-microbial alternatives. However, orders for AMS's silver alginate range have now stabilised following the renegotiation of a major contract in 2022 and progress continues to be made through new distribution channels. Other new products, such as the Silver High Performance Dressing and Silicone PHMB foam range continue to be rolled out and help to sustain growth.

New product approvals in this area are becoming increasingly challenging and we are currently reviewing FDA questions on the 510(k) for our innovative high-gelling product with anti-biofilm activity that was submitted in 2022. On a more positive note, we expect to obtain extended US approval for our Silicone PHMB foam range in H1 2023.

This dressing provides high efficacy and sustained performance, and the enhanced antimicrobial approval increases its potential to penetrate the US, MEA and APAC regions.

### Exudate Management

Exudate Management comprises Advanced Woundcare dressings, gels and bulk materials which do not incorporate any antimicrobial elements. Revenue increased by 8% on a reported basis and by 7% on a constant currency basis to £23.4 million (2021: £21.7 million).



**Below:**

ActivHeal® AquaFibre Extra, part of our woundcare dressing range



Increased orders from the Group's OEM partners continued to drive Exudate Management growth with a significant increase in demand for our specialist medical foam material.

Growth has also been driven by the successful implementation of the Group's strategy to expand the distribution network for its own ActivHeal® range of dressings. AMS has continued to appoint new ActivHeal® distribution partners in markets where its key partners have no or low presence, but the demand for a high-quality, cost-effective woundcare dressing range still exists. Several new contracts were signed in 2022, with launches being undertaken as market registrations are obtained.

AMS has applied its biosurgical, collagen technology into developing a tissue scaffold designed to treat hard-to-heal and stalled wounds such as diabetic foot ulcers and venous leg ulcers. A 510(k) submission was made in the period and we are reviewing FDA questions as we continue to evaluate the optimal commercial strategy.

Progress continues to be made in the development of a customer-specific negative pressure dressing. The 510(k) submission has been made by our partner and AMS awaits confirmation of approval and commercialisation.

### Other Woundcare

Other Woundcare comprises royalties, fees and woundcare sealants. Revenue increased by 38% at reported currency and by 26% at constant currency to £9.9 million (2021: £7.2 million) due to increased partner demand for membranes, gels and hydrocolloid and a higher royalty income from the Group's licensing arrangement with Organogenesis.

### 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	<ul style="list-style-type: none"> <li>– Environmental Policy</li> <li>– Ethical Sourcing Policy</li> <li>– ESG Policy</li> </ul>	<p>Reporting environmental impact/SECR disclosures – pages <b>38 and 39</b></p> <p>Our Business Model – pages <b>6 and 7</b></p> <p>Risk Management – pages <b>43 to 47</b></p>
Employees and social matters	<ul style="list-style-type: none"> <li>– Equality, Diversity and Inclusion Policy</li> <li>– Community Support</li> <li>– Health and Safety Policy</li> <li>– Environmental Policy</li> <li>– Ethical Sourcing Policy</li> </ul>	<p>Reporting on our environmental impact – pages <b>38 and 39</b></p> <p>Our Business Model – pages <b>6 and 7</b></p> <p>Risk Management – pages <b>43 to 47</b></p> <p>Stakeholder Engagement – pages <b>23 to 27</b></p> <p>Our Strategy – pages <b>14 to 17</b></p>
Respect for human rights	<ul style="list-style-type: none"> <li>– Anti-Slavery Policy</li> <li>– Ethical Sourcing Policy</li> <li>– Modern Slavery Act Policy</li> </ul>	<p>Corporate Governance Report – pages <b>52 to 57</b></p>
Anti-corruption and anti-bribery matters	<ul style="list-style-type: none"> <li>– Anti-Bribery Policy</li> <li>– Gift Policy</li> <li>– Sanctions Policy</li> <li>– Whistleblowing Policy</li> <li>– Ethical Sourcing Policy</li> </ul>	<p>Audit Committee Report – pages <b>61 to 64</b></p> <p>Risk Management – pages <b>43 to 47</b></p>
Description of the business model		<p>Our Business Model – pages <b>6 and 7</b></p>
Description of the principal risks in relation to the above matters, including business relationships, products and services likely to affect those areas of risk, and how we manage the risks		<p>Risk Management – pages <b>43 to 47</b></p>
Non-financial key performance indicators		<p>Key Performance Indicators – pages <b>18 and 19</b></p>

## S172 (STAKEHOLDER ENGAGEMENT)

# 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. We summarise below, and reference throughout this Annual Report, how our Directors engagement with stakeholders on key decisions also fulfils their duties in relation to Section 172 of the Companies Act 2006.

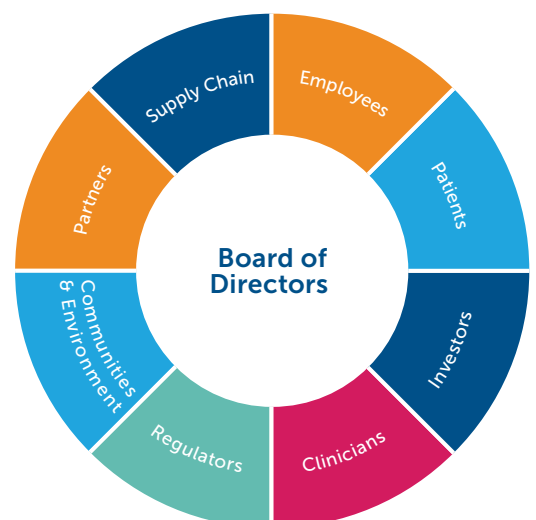
### Our stakeholders

Listening, engaging and partnering with our stakeholders, illustrated in the diagram below and further explained on **pages 25 to 26**, helps us to address our business impacts and improve the outcomes for those different groups.

### 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 stakeholders. 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.





## Employees

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

### MATERIAL TOPICS

- Increased Employee Engagement
- Opportunities to share ideas
- Financial support during the cost-of-living crisis
- Opportunities for career development
- Flexible working

### HOW WE ENGAGE

Our CEO Live global webcasts enable employees to freely raise questions. Questions can also be asked through a SMT Portal. Employee Inclusion Groups can be approached regarding issues at site-level. An annual Employee Engagement Survey provides an opportunity to give feedback anonymously. The Company newsletter enables employees to be updated by colleagues from across the Group. To protect our lower earners during the cost-of-living crisis we are providing additional financial support. We have appointed a Board Director to be responsible for Workforce Engagement.



## Patients

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

### MATERIAL TOPICS

- Products to address unmet patient needs and improve their outcomes
- Post-market surveillance
- Clinical studies
- Monitor trends and changes

### HOW WE ENGAGE

We work closely with customers, clinicians, Key Opinion Leaders and industry bodies to understand patient needs. We are investing in clinical studies which enable the commercialisation of products to address unmet needs, such as Seal-G® and our US LiquibandFIX8® Pre-Market Approval.



## Investors

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

### MATERIAL TOPICS

- Financial and operational performance
- Business strategy and acquisitions
- Market conditions
- R&D pipeline and product approvals
- Dividend

### HOW WE ENGAGE

We maintain regular communications with shareholders, analysts and brokers in line with our regulatory duties. We have twice-yearly results roadshows and engage on an ad-hoc basis on issues such as remuneration, governance and ESG. We hold an Annual General meeting and provide updates in between via RNS alerts our website and contact through our advisors.



## Clinicians

We work with Clinicians and Key Opinion Leaders to ensure our products are effective, easy to use, clinically safe and meet patient needs.

### MATERIAL TOPICS

- Clinical Advisory Boards
- Industry-leading training
- Subscription database
- Virtual symposia

### HOW WE ENGAGE

Clinical Advisory Boards help to provide guidance and clinical trial development for key products.

We have a focus on training and education with ActivHeal® Academy and other digital platforms, including increased social media engagement.

For key surgical products we conduct virtual symposia and Voice of Customer activities. We provide clinical updates to surgeons on products to increase skill levels.

## S172 (STAKEHOLDER ENGAGEMENT)



### 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.

#### MATERIAL TOPICS

- Compliance with legislation
- Maintain high standards
- Medical Devices Regulation (MDR)
- Working relationships with Notified Bodies

#### HOW WE ENGAGE

In a highly regulated industry we maintain good relationships with our regulators by working openly and in a transparent way, promoting a partnership approach to further understand the regulatory landscape.



### 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.

#### MATERIAL TOPICS

- Pathway to Net Zero
- Involvement in local organisations
- Sponsorship
- Environmental initiatives
- Customer discussions on environmental impact and emissions

#### HOW WE ENGAGE

Actively engaging in local communities by encouraging employees to participate. Provide sponsorship and charity matching where employees are involved locally. Environmental pledge programme and ISO50001 at selected sites help to reduce our local environmental impact and we take part in environmental initiatives local to our sites.



### Partners

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

#### MATERIAL TOPICS

- Relationship development
- Education and training
- Opportunities to share ideas
- Align pipeline of new products, value-added services and customer support

#### HOW WE ENGAGE

We try to ensure that partners have the opportunity to speak to key employees at any time. We use remote 'Voice of Customer', Key Opinion Leader masterclasses and focus groups to gain feedback on products and ideas. Websites, online tools and Brand Hubs provide further direct engagement. We participate in Industry clinician groups.



### Supply Chain

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

#### MATERIAL TOPICS

- Supply chain resilience through increased inventory levels and dual sourcing
- Security of supply
- Maintaining OTIF
- Impact of cost inflation
- Auditing of suppliers including plan to incorporate ethical matters

#### HOW WE ENGAGE

We hold regular meetings with key suppliers and have strengthened our key supplier audit process, making it more robust and building closer working relationships. Further information is provided in the Principal Decision on Supply Chain on page 27.

## Principal decisions in 2022

The Board considered the interests of, and the impact on, all stakeholders when key decisions were made during the year, as demonstrated below.

### PRINCIPAL DECISION 1

#### Implementation of a 'Pathway to Net Zero'

In 2022 extensive Board discussion led to a decision to work with an external consultant to implement a 'Pathway to Net Zero'. In line with our commitment to reduce our environmental burden, we decided to:

- Assess our Scope 3 emissions, up and down the supply chain, and to review where we can reduce all emissions.
- 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's 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.

### STAKEHOLDERS CONSIDERATIONS

- Investors – from previous discussions we were already aware that investors had an appetite for us to further expand our ESG work and commit to reducing our impact on the environment.
- Employees – we engaged with our employees and obtained their views through our ESG Steering Committee, local ESG Champions and Employee Engagement process. Pathway to Net Zero was seen as a significant issue for new and existing employees.
- Customers and Partners – we are receiving significantly increasing ESG expectations from across our customer base, both from the public sector (NHS) and large customers. The NHS requires suppliers to work towards a Pathway to Net Zero and our large and OEM Partners have requested details on progress in this area, either through meetings or providing details of our plans.
- Communities and Environment – as a significant employer who has looked to engage more closely in the local communities in which we operate and to protect our local environments, developing a 'Pathway to Net Zero' will help us with this goal.

### OUTCOME AND IMPACT ON LONG-TERM SUSTAINABLE SUCCESS OF GROUP

The Board believe the ESG Framework provides a good building block to further develop our ESG targets. Our Pathway to Net Zero is a critical part of that Framework and developing this over the coming years will increase employee engagement, attract employees with our values and make us an attractive proposition for investors, in particular those looking for environmentally conscious companies, making us a good corporate citizen which acts in line with market and best practice.

### PRINCIPAL DECISION 2

#### Build the resilience of our Supply Chain

The Board made the decision to prioritise the resilience of the Supply Chain in 2022. This was driven by global supply chain conditions.

It was agreed that the best approach was to proactively manage the supply chain; actions included increasing inventory levels and dual sourcing of key raw materials where feasible. Maintaining supply of product to our customers is critical for positive patient outcomes, as switching supplier can be challenging in highly regulated markets. We further strengthened our key supplier audit programme and are implementing ESG as part of the audit process.

### STAKEHOLDERS CONSIDERATIONS

- Patients- we considered it to be of utmost importance that patients continued to have access to our woundcare and surgical devices.
- Customers and Partners – continuation of supply was considered a key factor for our customers and partners so that they could maintain their market position.
- Investors – we engaged with investors to explain the rationale of planned inventory increases and cash and working capital impact.

### OUTCOME AND IMPACT ON LONG-TERM SUSTAINABLE SUCCESS OF GROUP

The outcome of this work was that our supply chain remained highly resilient despite the challenges we faced. These challenges resulted in minimal impact on our customers and we maintained a high-level of OTIF. This has been positively received by our customers and strengthened our relationships and allowed us to continue to supply our customers, partners, clinicians and patients.

We also managed to deliver gross 4% cost reduction projects across the Group to partially offset cost inflation. Our programme of MDR approvals has continued to progress well and will move forward as planned, despite the extension to the deadlines. This work has made us better prepared for future challenges and developed relationships for when we engage with suppliers regarding ESG in the coming year.

# Reducing our environmental footprint

In 2022 we began our 'Pathway to Net Zero' project and further integrated our ESG Framework.

- A**dvancing sustainability
- M**inimising environmental impact
- S**ocially responsible

Our ESG Framework is based on our 4 Ps (Planet, People, Product, Policy). It focuses on key commitments that are meaningful and aligned to our Mission, Vision and Strategy, and considers our contribution to the United Nations SDGs. It is supported by Increased resources, improved organisational focus, environmental responsibility and a Net Zero ambition.

## Our contribution to the United Nations Sustainable Development Goals (SDGs)

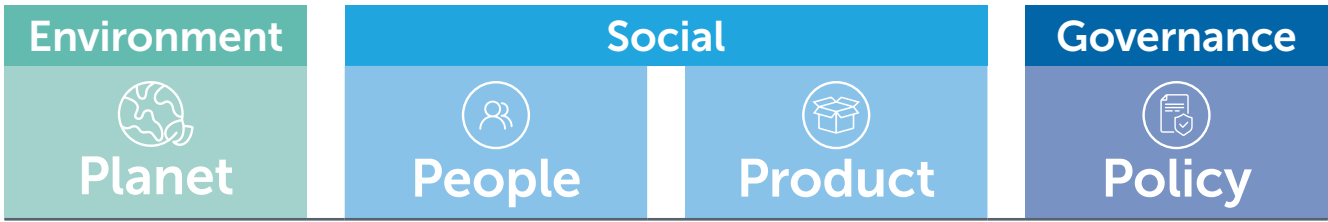
These areas where our business can have the most meaningful impact:



 For more information see page 31



## ESG Framework



### Principles

<ul style="list-style-type: none"> <li>Minimise any negative impact on the environment.</li> <li>Uphold the highest standards of corporate responsibility.</li> </ul>	<ul style="list-style-type: none"> <li>Having a positive impact on the local communities in which we operate.</li> <li>Offer our employees a safe, supportive working environment with a positive culture.</li> </ul>	<ul style="list-style-type: none"> <li>Operate in an ethical and responsible manner.</li> <li>Contribute to society by developing products to improve patient outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>Uphold the highest standards of corporate governance.</li> <li>Build and develop an ESG reporting framework with meaningful targets.</li> </ul>
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### Stakeholder engagement

<ul style="list-style-type: none"> <li>Communities and Environment.</li> <li>Supply Chain.</li> <li>Investors.</li> </ul>	<ul style="list-style-type: none"> <li>Patients, Partners, Clinicians.</li> <li>Employees.</li> </ul>	<ul style="list-style-type: none"> <li>Regulators.</li> <li>Supply Chain.</li> </ul>	<ul style="list-style-type: none"> <li>Investors.</li> <li>Partners.</li> <li>Employees.</li> </ul>
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### Commitments

<ul style="list-style-type: none"> <li>Minimise negative environmental impact, combat climate change.</li> <li>Manage energy use more efficiently and increase renewable and sustainable resources.</li> <li>Reduce waste, protect water, improve recycling, re-use materials.</li> <li>Expand scope of ISO Certification.</li> <li>Promote Environmental Pledge Scheme.</li> </ul>	<ul style="list-style-type: none"> <li>Attract, retain and develop our talent to support future growth.</li> <li>Promote equality, diversity and inclusion.</li> <li>Support employees on health, safety and all forms of wellbeing, including Employee Assistance Programme (EAP) and mental wellness app.</li> <li>Provide financial support for employees' charity work, chosen charities and community volunteering.</li> </ul>	<ul style="list-style-type: none"> <li>Uphold ethical standards across our value chain.</li> <li>Work with patients, partners and clinicians to identify unmet needs.</li> <li>Improve transition of early stage R&amp;D, reduce waste.</li> <li>Manufacture products focused on quality, customer safety, welfare.</li> <li>Transition to recyclable packaging, apply regulations and certification.</li> </ul>	<ul style="list-style-type: none"> <li>Uphold external standards to protect human rights.</li> <li>Zero tolerance towards bribery, corruption and fraud.</li> <li>Robust data governance and compliance.</li> <li>Ensure equal pay regardless of gender, ethnicity or disability.</li> <li>Enrol in UN Global Compact, embed Ten Principles across business.</li> </ul>
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### ESG metrics

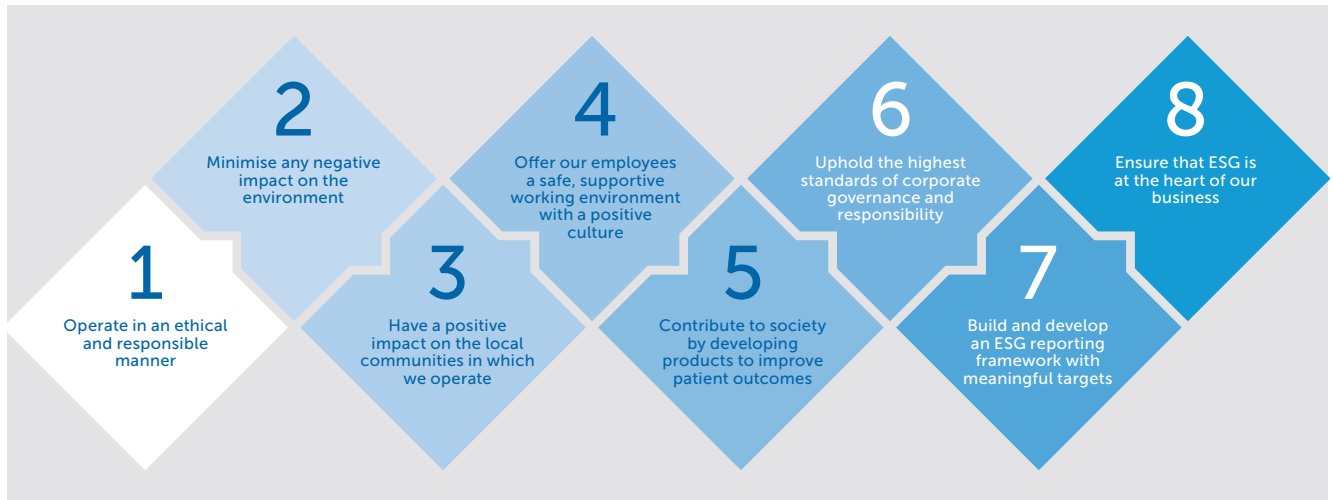
<ul style="list-style-type: none"> <li>Pathway to reduce emissions, scope 3 plan.</li> <li>CO<sub>2</sub>e emissions per £k sales (KG).</li> <li>Gas usage, water, electricity (total, by person).</li> <li>Waste (landfill).</li> </ul>	<ul style="list-style-type: none"> <li>Charitable donations.</li> <li>YOY Health &amp; Safety score.</li> <li>Employee Engagement score.</li> <li>Training and development spend.</li> <li>Participation in Employee Share Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Number of new products released per year.</li> <li>% new products released with recyclable packaging.</li> <li>Product safety rates in market.</li> <li>% suppliers signed up to Supplier Charter.</li> </ul>	<ul style="list-style-type: none"> <li>Reported cases of bribery, corruption or fraud.</li> <li>Whistleblowing reports.</li> </ul>
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### UN Sustainable Development Goals

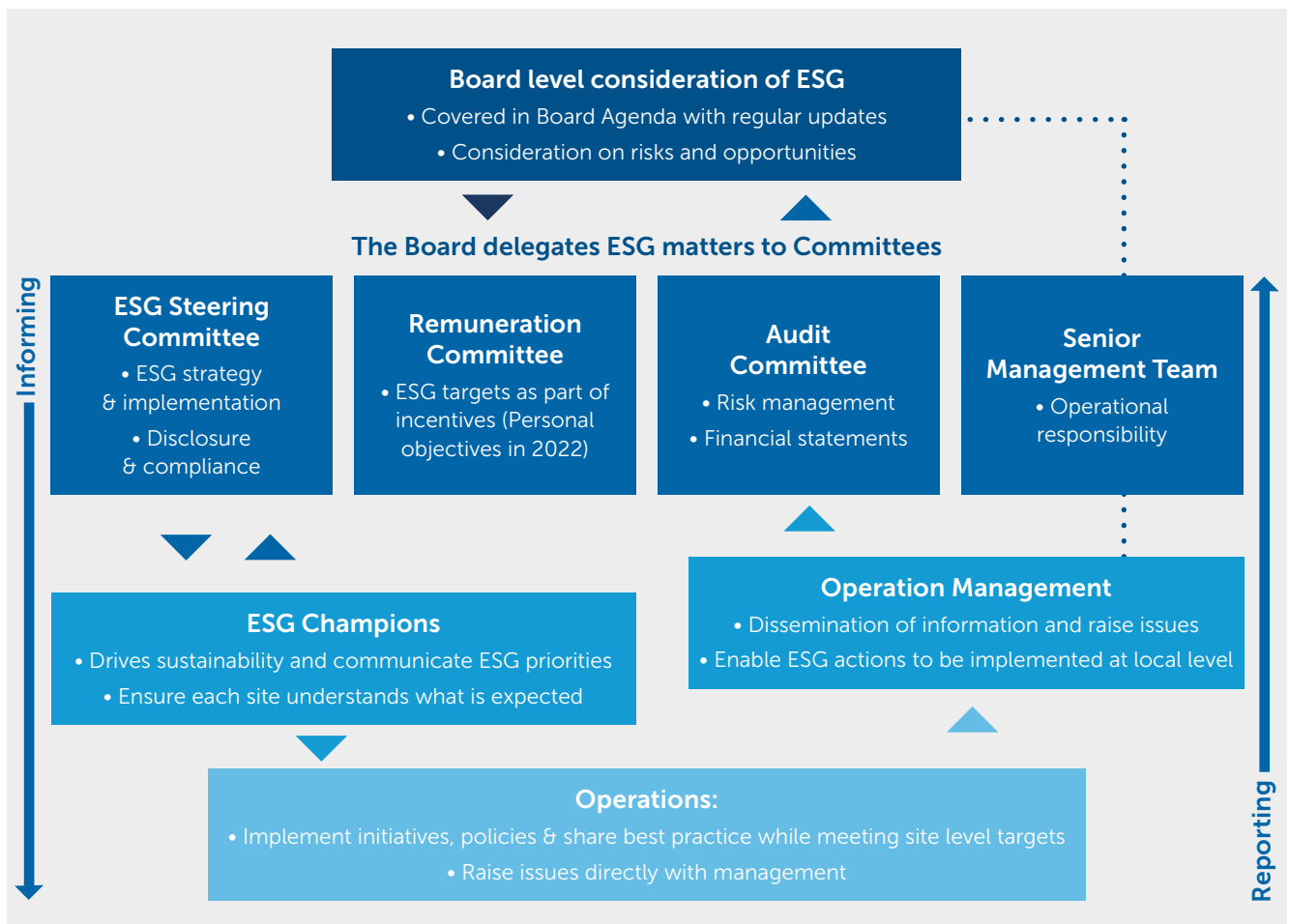


# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

## ESG Principles



## ESG Governance and Integration





UN Sustainability Development Goals

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

UN Goal	How AMS contributes
 <b>Ensure healthy lives and promote wellbeing for all at all ages</b>	<ul style="list-style-type: none"> <li>• Improve patient outcomes.</li> <li>• Focus on employees (mental, wellbeing, flexible working and Employee Assistance Programme).</li> </ul>
 <b>Ensure gender equality and empower all women and girls</b>	<ul style="list-style-type: none"> <li>• Ensure equal opportunities during recruitment and promotion.</li> <li>• Equality, Diversity and Inclusion programme.</li> </ul>
 <b>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</b>	<ul style="list-style-type: none"> <li>• Work closely with clinicians and partners investing in industry leading training and education.</li> </ul>
 <b>Promote innovative and sustainable economic growth, full and productive employment and decent work for all</b>	<ul style="list-style-type: none"> <li>• Ensure employees are engaged, skilled and motivated.</li> <li>• Pay living wage and support lower earners.</li> </ul>
 <b>Ensure sustainable consumption and production patterns</b>	<ul style="list-style-type: none"> <li>• Ensure all products meet highest standards of quality, safety and efficiency, and are ethically sourced.</li> </ul>
 <b>Take urgent action to combat climate change and its impacts</b>	<ul style="list-style-type: none"> <li>• Committed to reduce our carbon footprint, reduce waste and utilise renewable energy, where possible.</li> </ul>

Other key ESG activities

**Modern Slavery Act**

AMS takes its responsibility to protect human rights very seriously. We do not tolerate slavery or human trafficking either internally or in our supply chain. We will never knowingly deal with any organisation which is connected to slavery or human trafficking.

Our full compliance statement can be found on the company website [www.admedsol.com](http://www.admedsol.com)

**Gender Pay Gap Reporting – Ensuring Opportunities for All**

AMS believes in being an inclusive and diverse employer.

We remain confident that employees are paid equally for doing equivalent jobs, and have opportunities for development and advancement.

Our latest report under the Gender Pay Gap Regulations is available on the company website [www.admedsol.com](http://www.admedsol.com)

CASE STUDY

Reducing our environmental impact

In 2022 our Plymouth site undertook a project to add 430m<sup>2</sup> of space for production, development and quality purposes. In-line with local planning requirements, and to futureproof the expansion, AMS undertook biodiversity assessments, reviewed building methods and considered waste and other potential impacts within the building process. We have ensured that the extension has structural stability to further expand our solar array at Plymouth in the near future.

This building project took nine months to complete and there were no injuries during construction, as well as no environmental complaints, environmental losses or leaks. Biodiversity management achievements included:

- No adverse reptile or animal events recorded.
- Rewilding of land with natural scrub and wildflowers along eastern boundary.
- Log piles to promote a diverse range of wildlife including hedgehogs, toads, spiders and other small mammals.
- Bird and bat boxes added to existing trees to further attract these species to the area.

**95.3**

MWh generated (from solar)  
2021: 68.7MWh

**21%**

of site electricity (from solar)  
2021: 19% (extension not included)



Find out more on our website  
[www.admedsol.com](http://www.admedsol.com)

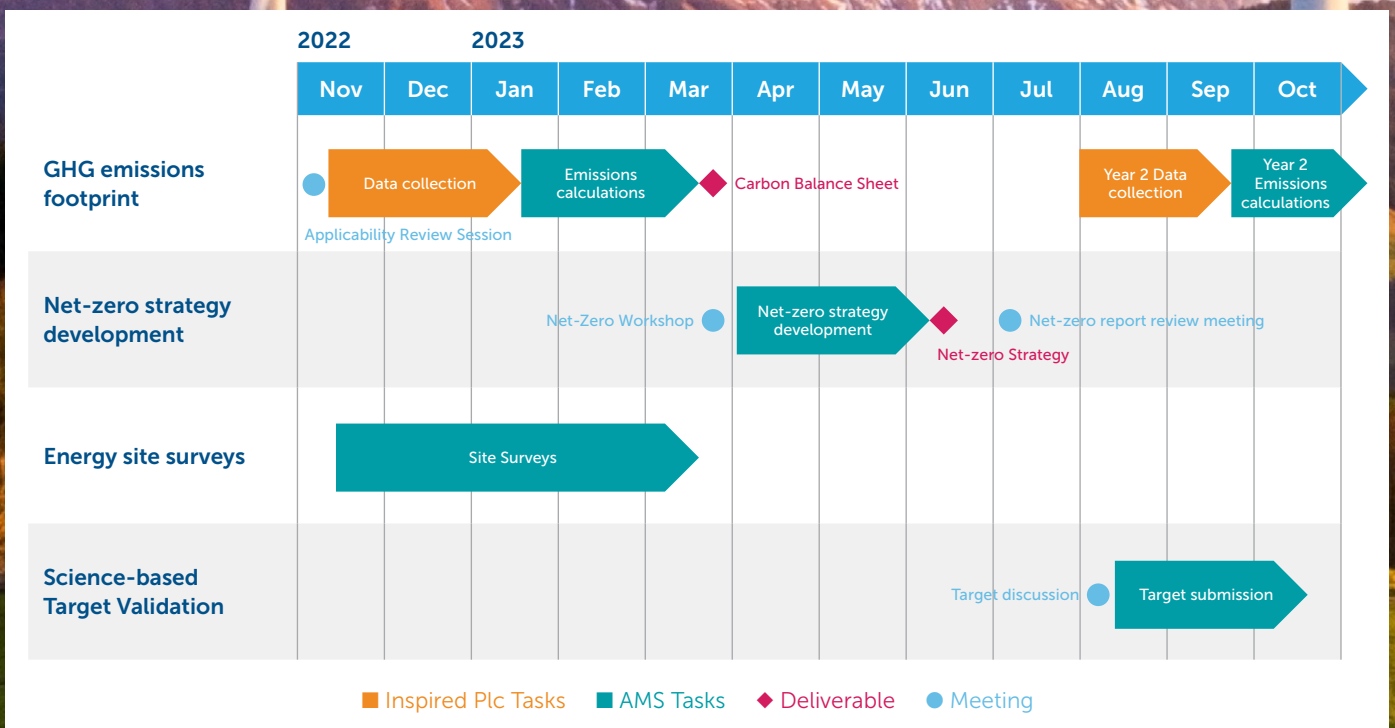
# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

## ESG Project – Pathway to Net Zero

In 2022, we commenced work on our Pathway to Net Zero with an external consultant. We are currently working through a Net Zero project timeline (see below) with data collections, emission calculations and three site surveys completed.

In order to be able to provide a complete picture of the impact of our entire supply chain, in addition to measuring emissions from our own operations and electricity consumption (Scope 1 and 2), we have estimated the greenhouse gas (GHG) emissions associated with all upstream and downstream activities (Scope 3).

Scope 3 emissions are indirect emissions not under our direct control and often account for 80%-99% of a company's emissions footprint. Assessing these emissions can help to focus reduction activities. Collaboration and business choices can help to reduce these emissions.



In 2021 we produced 47,352 tonnes carbon dioxide equivalent (tCO<sub>2</sub>e) Scope 3 emissions connected to our entire global operations. These emissions account for 94% of our total greenhouse gas emissions footprint.

All emissions have been calculated following the GHG Protocol's Corporate Accounting and Reporting Standard and the guidelines of the ISO14064-1. All applicable Scope 3 categories have been quantified. Each greenhouse gas has a different global warming potential (GWP) compared to carbon dioxide (CO<sub>2</sub>) eg Methane (CH<sub>4</sub>) has a warming potential 28 times that of CO<sub>2</sub>.

Upstream and downstream transport and distribution, paid for by us and our customer's respectively, also produce significant Scope 3 emissions. A better understanding of the transport mode used for products, and moving towards lower carbon transport routes, will help us to reduce emissions.

Going forward, our Scope 3 emissions will be addressed through engagement with suppliers, customers and internal engagement. We are in the process of producing a decarbonisation action plan which will detail the short, medium and long-term actions we will take to meet near-term and Net Zero targets.

Emissions Scope and Scope 3 Category	"January 2021 - December 2021 GHG Emissions (tCO <sub>2</sub> e)"
<b>Scope 1</b>	<b>1,716</b>
Gas	889
Transport (Excluding Grey Fleet)	249
Other Fuels	145
F-Gas	433
<b>Scope 2 (location-based)</b>	<b>1,352</b>
<b>Scope 3</b>	<b>47,352</b>
1. Purchased Goods and Services	19,060
2. Capital goods	6,130
3. Fuel-related emissions	705
4. Upstream Transportation and Distribution	5,377
5. Waste generated in operations	326
6. Business travel	214
7. Employee commuting	825
8. Upstream leased assets	Not Applicable
9. Downstream Transportation and Distribution	4,779
10. Processing of sold products	9,751
11. Use of sold products	Not Applicable
12. End of life treatment of sold products	125
13. Downstream leased assets	61
14. Franchises	Not Applicable
15. Investments	Not Applicable
<b>Total All Scopes (location-based)</b>	<b>50,431</b>

### ESG Project – ISO Certification

We achieved International Organization of Standardisation (ISO) standards around energy management (ISO 50001:2018) and environmental management (ISO 14001:2015) at four key manufacturing locations.

Our internal management systems have been validated to confirm that we are meeting the requirements on environmental protection and energy management and reduction. In 2023 we will continue to develop and refine our systems.

### ESG Project – TCFD Reporting

In 2023 we will prepare our disclosures for the Task Force on Climate-Related Financial Disclosures (TCFD). These requirements are based around Governance, Strategy, Risk Management and Metrics and Targets. We must consider how these core areas fit into our Business Model and assess how we manage climate related risks.

We measure performance against ESG metrics which will form the basis of our reporting and help to develop a strategy for managing climate related risks. Our current reporting can be adapted to meet TCFD requirements, engaging our supply chain and utilising data on Green House Gas emissions (GHG) and carbon footprint. TCFD will complement our commitment to reduce our environmental impact.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)



## Planet

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

### Highlights

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

**Eliminated** F-gas losses (see page 39) and waste to landfill through better waste handling processes and waste contractor engagement.

**ISO Certification** at four key sites and principles rolled out across the Group to reduce energy use and environmental impact.

Work progressing with external consultant on a **Pathway to Net Zero**.

Adoption of **electric car lease scheme** that UK employees can elect to join. Site company cars all either **hybrid or electric**.

Review of potential future impact of **TCFD** commenced (H1 2022).

**Comparative energy usage** fell despite increased production.

**Commenced** roll out of more in-depth recycling processes and significantly upgraded recycling capabilities at our Winsford site.

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

### Looking forward

- Make full use of the expanded data to more proactively forecast energy use and increase environmental awareness.
- Refine internal targets and embed management of climate change risk (renewable energy target: 70% by 2025). Renewable energy targets are increasingly challenging due to reduced availability and providers withdrawing from the market, resulting in our mix reducing from 51% to 39%.
- Continued focus on waste management processes.
- Further embed role of 'ESG Champions' for local and global awareness, initiatives and support.
- Review implementation of ISO 14001 and ISO 50001 certification across the Group and plan for certification at other sites.
- Further promote Environmental Pledge Scheme and expand impact measurement.

### Emissions per £k sales

**19.51** CO<sub>2</sub>e

Scope 1 (direct)/Scope 2 (indirect) emissions intensity (2021: 27.45 CO<sub>2</sub>e per £k sales)

**38** m<sup>3</sup>/employee

total water usage (2021: 53m<sup>3</sup>)

**0%**

waste to landfill (2021: 2.2%)

**0.92** tons/employee

total waste (2021: 1.25 tons/employee)

**2,268,009** kg CO<sub>2</sub>e

Scope 1 and 2 emissions (2021: 2,838,419 CO<sub>2</sub>e)

**46%**

renewable/low carbon energy mix (including nuclear) (2021: 51%)



# 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.

### Highlights

Progressed actions from the **employee engagement survey** in 2021 resulted in more positive results in the 2022 survey.

**Increased donations** to £47k for charitable and community activities through product and monetary donations (2021: £30k).

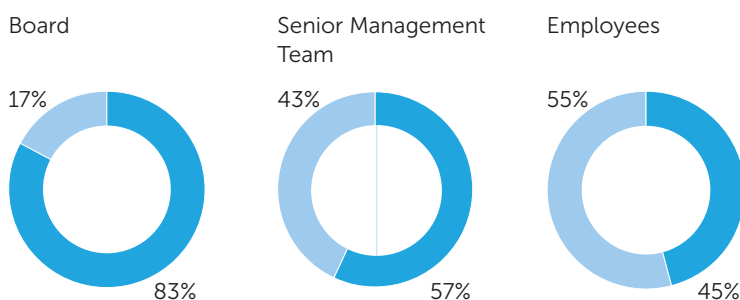
**Executive bonus scheme** increased focus on personal objectives and included progress in ESG as a specific goal.

### Looking forward

- Complete EDI/unconscious bias training across the Group, in particular in recruitment (commenced in 2022; finish in H1 2023).
- Continuous review of our benefits proposition.
- Increase training and development budget to 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, site 'EHS focus events' and World Health & Safety Day to help reduce an increased accident and LTI rate in 2022.
- Focus on building approach to charitable giving and engagement by development of communities strategy.
- Expand work and profile of Altogether AMS, our Diversity and Inclusion Programme, and EDI Committee. Implement annual plan.

### Employee gender diversity

■ Male ■ Female



**74%**

employee engagement survey response rate (2021: 69%)

**87%**

positive or neutral responses based on the external benchmark of our Engagement Score<sup>1</sup> (2021: 83%)

**0**

reported incident of discrimination (2021: 1)

**21%**

invested in the Employee Share Plan (2021: 20%)

**3.3**

H&S (AMS Accident Incident Rate) (2021: 2.7)

**4**

Lost Time Incidents (LTIs >7days) (2021: 0)

<sup>1</sup> As defined by the Culture Amp software.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)



## Product

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

### Highlights

**Significant progress** in key R&D projects to meet unmet patient needs (LiquiBandFIX8<sup>®</sup> PMA for US distribution and Seal-G<sup>®</sup> and Seal-G<sup>®</sup> MIST – see page 9).

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

**Supply chain resilience** and contingency planning throughout challenging economic conditions.

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

**Engaged customers and suppliers** regarding ESG data on products and processes.

### Looking forward

- Further develop collaboration strategies with academia and research institutes.
- Introduce ESG criteria when auditing key suppliers.
- Roll-out Code of Conduct for suppliers to ensure enhanced customer requirements are embedded within the supply chain.
- 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.

# £12.3m

dedicated investment in R&D  
(2021: £9.3m)

# 9.9%

of revenue spend on R&D  
and innovation (2021: 8.6%)

# 2

new products released in 2022  
(2021: 3)

# 98%

of key<sup>1</sup> materials suppliers met with,  
visited and/or audited in the past year  
(2021: 94%)

# 0

deaths caused in the market  
by AMS products (2021: 0)

# \$10.6 billion

potential total annual achievable market  
estimation (see pages 12 to 13 for more  
information) (2021: \$10.6bn)

<sup>1</sup> Ranked critical, crucial or major.



# 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.

## Highlights

**Continued adherence** to the UK Corporate Governance Code (see pages **52 to 57**).

Appointment to the Board of **Liz Shanahan** as a Non-Executive Director.

Updated and revised Annual Compliance training on data protection, modern slavery and the policies listed below:

- Anti-Bribery, Anti-Money Laundering, Anti-Facilitation of Tax Evasion, Competition Law.
- Whistleblowing.
- Market Abuse, Gifts and Hospitality.
- Health and Safety, and Environmental and Energy policies.

**ESG Steering Committee embedded** with regular Group-wide reporting.

**ISO 50001 and ISO 14001** action plan implemented at key sites.

**Formally** signed up to the **UN Global Compact** which commits us to standards on Human Rights, Labour Standards, Environment and Anti-Corruption.

## Looking forward

- Sustainability and ESG related policy development.
- Further embedding of ISO 50001 and 14001 standards and expansion of Best Practice to other sites.
- Assessment of current processes and performance reporting to external, best practice benchmarks.
- Compliance training refreshed for Group-wide training.
- Development of a formal Code of Conduct for all employees.
- Continued integration of acquisitions to ensure all policies are adopted, including two acquisitions in 2022 and early 2023.
- Ensure TCFD reporting meets reporting standard.

## 0 fines

and non-monetary sanctions from non-compliance with environmental laws and/or regulations (2021: 0)

## 5

ESG Steering Committee Meetings held during 2022 (2021: 1)

## 1<sup>st</sup>

formal annual ESG Report completed

## 0 incidents

of bribery, corruption or fraud (2021: 0 incidents)

## 0

whistleblowing reports (2021: 0)

## £0

spend on political campaigns, lobbying or think tanks (2021: £0)

## 0

reported incidents of human rights violations in our supply chain (2021: 0)

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

## Becoming a more sustainable business.

### Environmental Review of 2022

We are required to comply with the Companies (Directors' Report) and Limited Liability Partnerships (Energy & Carbon Report) Regulations, 2018, this covers Streamlined 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 determined our base year figures to our most current reporting period.

Our 2022 report showed improvements through reduction in overall Carbon Dioxide Equivalent (CO<sub>2</sub>e) emissions to the atmosphere in both of our intensity ratios and helped to shape our objectives for 2023.

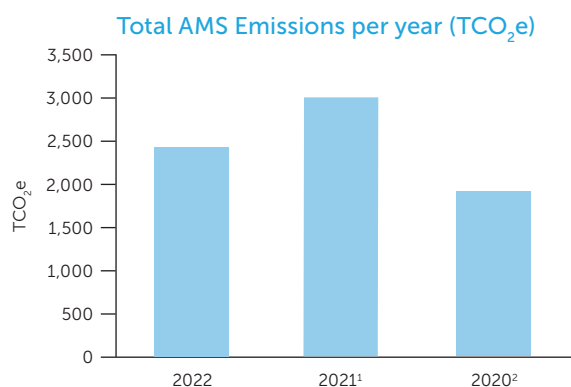
Our high-level findings for 2022 are presented below.

### Environmental Impact

In 2022 AMS emitted 2,425 TCO<sub>2</sub>e into the atmosphere, a decrease from 2021 (2,981 TCO<sub>2</sub>e). This reduction has been driven by significant investment in air handling and cooling/heating systems and site controlled activities to reduce utility usage and preserve natural resources.

#### Total Scope 1,2 & 3 (TCO<sub>2</sub>e)

2022	2,425.31
2021	2,981.22
2020	1,899.00
2019	2,797.16



### Environmental Development

In 2022 we committed to investing time and resources into becoming both increasing our sustainability and becoming more carbon efficient. We utilised our Environmental Policy to drive decisions, gaining further commitment from our Board to continue to develop and progress our environmental plans and objectives.

As part of our commitments outlined on page 29 we have now been fully certificated against the International Standards (ISO) for Energy and Environmental Management (ISO 14001:2015 and ISO 50001:2018) and are proud of our achievements in attaining these certifications. In 2023 we will continue refining, developing and reducing our impact on the environment and reduce our reliance on natural energy resources.

#### 2022 Targets

No breaches of environmental permits or consents	✓ <b>Achieved</b>
Policy adoption (Environmental/Energy Management)	✓ <b>Achieved</b>
Implementation of ISO 14001 and ISO 50001 across the Group	✓ <b>Achieved</b>
Feasibility studies of energy saving activities	✓ <b>Partially achieved</b>
Launch of Environmental Pledge programme	✓ <b>Achieved</b> In conjunction with ESG Champions divested est 3 tonnes TCO <sub>2</sub> e

### Future development

In-line with our ESG framework and commitment to reduce our environmental burden, in 2023 AMS will further develop our approach to sustainability by:

- Continue to progress work with our chosen partner to review where we can reduce our Scope 1 and 2 emissions and implement engagement programmes to reduce our Scope 3 emissions, both up and down the supply chain.
- Using the Carbon Balance Sheet developed with Inspired Energy, engage with key stakeholders on our short, medium and long-term environmental goals and our ambitions around a Net Zero operating model.

- Set site-based targets to support our ambitions and promote how we can play a part in the circular economy, reduce reliance on natural resources and work towards keeping global warming under the Science-Based Target of 1.5C.

During 2022 we received a significant number of requests from our stakeholders for environmental and ESG related data. In 2023 we will continue to engage with our stakeholders to build on these relationships, share our plans and undertake activities that support our projects, focusing on reducing our emissions, minimising use of natural resources and reducing risk to 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 14064-1, 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 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 in June 2022. We report all our Scope 1 and Scope 2 emissions. Following a commitment in 2019, we report some elements of Scope 3.

The table below covers the total emissions from AMS activities for all locations in 2022, it also offers a comparison to both 2021 and our base year data 2020.

Emissions type/scope	Yearly comparison (kg CO <sub>2</sub> e)			Commentary
	2022	2021 <sup>1</sup>	2020 <sup>2</sup>	
<b>Total Scope 1 (kg CO<sub>2</sub>e)</b>	<b>1,272,869</b>	<b>1,726,938</b>	<b>565,517</b>	
Natural gas (kg CO <sub>2</sub> e)	996,411	899,415	104,794	Gas emissions based on usage in all but one geographical location.
Gas oil (kg CO <sub>2</sub> e)	33,626	145,425	143,456	Emissions through use of oil powered heating and supply system in one AMS location.
AMS Company cars (kg CO <sub>2</sub> e)	242,832	248,891	172,504	Emissions generated from AMS owned vehicles, this is combined petrol, diesel, hybrid and electric emissions.
F-gas losses (kg CO <sub>2</sub> e)	0	433,207	144,763	Emissions captured through F-gas losses across AMS systems.
<b>Total Scope 2 (kg CO<sub>2</sub>e)</b>	<b>995,141</b>	<b>1,111,481</b>	<b>1,310,640</b>	
Location based electricity (kg CO <sub>2</sub> e)	995,141	1,111,481	1,310,640	Electricity emissions based on use in each geographical location.
<b>Total Scope 3 (kg CO<sub>2</sub>e)</b>	<b>157,301</b>	<b>142,798</b>	<b>22,838</b>	
Electricity, transmission and distribution loss (kg CO <sub>2</sub> e)	91,033	97,136	N/A	Not captured before 2021 covers losses within network and usage.
Water in (kg CO <sub>2</sub> e)	5,009	4,501	10,799	Water delivered to AMS locations for all types of use ranging from manufacturing processes to sanitary use.
Private business miles (kg CO <sub>2</sub> e)	40,997	19,751	N/A	Not captured before 2021, covers business miles completed in privately owned vehicles, based on the definition of a medium sized car powered by petrol, diesel, hybrid or electric.
Waste processing, all types (kg CO <sub>2</sub> e)	20,262	19,130	12,039	Emissions generated through waste processing based on types of waste generated, both recycled and non recyclable.
<b>Total Scope 1, 2 &amp; 3 (kg CO<sub>2</sub>e)</b>	<b>2,425,311</b>	<b>2,981,217</b>	<b>1,898,995</b>	
Intensity measure – COGS (£K) (kg CO <sub>2</sub> e)	19.51	27.45	22.23	kg CO <sub>2</sub> e emissions per £ of sales.
Intensity measure – Eaches (kg CO <sub>2</sub> e)	0.08	0.03	0.02	kg CO <sub>2</sub> e emissions per unit (eaches) produced.
Intensity measure – Percentage of waste to landfill (% T)	0	2.2	N/A	Percentage of waste that cannot be recycled or further processed, but has to go to landfill.
Intensity measure – Renewable/low carbon energy mix (including nuclear)	46	51%	42%	Percentage of Electricity supplied to locations from renewable sources (inc Nuclear).
<b>Renewable energy mix (excluding nuclear)</b>	<b>22%</b>	<b>30%</b>	<b>35%</b>	

1 Raleigh included for first time in 2021.

2 COVID-19 impacted year.

# FINANCIAL REVIEW



**Eddie Johnson,**  
Chief Financial  
Officer

Resilient financial performance in challenging global economic conditions

## SUMMARY IFRS reporting

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 at the half-year and full-year and reconciles them as appropriate. The measures used in this statement include constant currency revenue growth, adjusted operating margin, adjusted profit before tax and adjusted earnings per share, allowing the impacts of exchange rate volatility, exceptional items, amortisation, and the movement in long-term acquisition liabilities to be separately identified. Net cash is an additional non-GAAP measure used.

## Overview

Revenue increased by 14% at reported currency and 10% at constant currency to £124.3 million (2021: £108.6 million).

Gross margin improved to 59.0% (2021: 56.2%) as increased volumes drove improved operational leverage.

Administration expenses increased to £47.4 million (2021: £37.0 million) due to the addition of AFS expenses, higher regulatory and R&D investment, increased selling and marketing activity and a significant adverse foreign exchange movement.

The Group incurred £12.3 million of gross R&D spend in the period (2021: £9.3 million), representing 9.9% of sales (2021: 8.6%), reflecting increased investment in innovation and in meeting the increasing regulatory standards. As shown in the table below, part of this cost is capitalised and amortised over the following 5 to 10 years.

	2022 £'000	2021 £'000
Total investment in Research and Development, Regulatory and Clinical	12,301	9,343
Of which:		
Charged to the profit and loss account	6,149	5,310
Capitalised, to be amortised over 5-10 years	6,152	4,033

Net operating  
cash flow

**£26.9m**  
**-13%**

Net cash

**£82.3m**  
**+13%**

Amortisation of acquired intangible assets increased to £3.4 million in 2022 (2021: £3.2 million) due to the acquisition of AFS in March 2022.

In the period, a credit of £0.8 million (2021: £0.4 million debit) was recorded in relation to movements in the long-term liabilities relating to deferred consideration and earnout from the Sealantis and AFS acquisitions.

Adjusted profit before tax, which excludes amortisation of acquired intangibles and movements in long-term liabilities recognised on acquisition, increased by 11% to £28.5 million (2021: £25.6 million) whilst the adjusted PBT margin decreased by 70 bps to 22.9% (2021: 23.6%) due to cost inflation having an adverse impact on the Group's profit margin.

Reported profit before tax was £25.9 million (2021: £22.0 million).

#### Reconciliation of profit before tax to adjusted profit before tax

	2022 £'000	2021 £'000
Profit before tax	25,910	21,984
Amortisation of acquired intangibles	3,414	3,179
Movement in long-term acquisition liabilities	(840)	426
Adjusted profit before tax	28,484	25,589

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 slightly to 21.2% (2021: 20.5%). The UK Government's enactment of a 25% tax rate from April 2023 will result in an increased Group effective tax rate from FY2023.

Adjusted diluted earnings per share increased by 8% to 10.47p (2021: 9.66p) and diluted earnings per share increased by 16% to 9.30p (2021: 8.01p), reflecting the Group's increased earnings.

Reflecting its confidence in the Group's prospects, the Board is proposing an increased final dividend of 1.51p per share, to be paid on 9 June 2023 to shareholders on the register at the close of business on 19 May 2023. This follows the interim dividend of 0.64p per share paid on 22 October 2022 and would, if approved, make a total dividend for the year of 2.15p per share (2021: 1.95p) an increase of 10%.

#### Operating result by business segment

	Surgical £'000	Woundcare £'000
<b>Year ended</b>		
<b>31 December 2022</b>		
Revenue	74,861	49,469
Segment operating profit	19,333	6,687
Amortisation of acquired intangibles	2,469	945
Adjusted segment operating profit <sup>4</sup>	21,802	7,632
Adjusted operating margin <sup>4</sup>	29.1%	15.4%
<b>Year ended</b>		
<b>31 December 2021</b>		
Revenue	64,630	43,971
Segment operating profit	18,298	5,420
Amortisation of acquired intangibles	2,005	1,174
Adjusted segment operating profit <sup>4</sup>	20,303	6,594
Adjusted operating margin <sup>4</sup>	31.4%	15.0%

1 Adjusted profit before tax is shown before amortisation of acquired intangible assets which was £3.4 million (2021: £3.2 million) and the movement in long-term liabilities recognised on acquisitions which was a credit of £0.8 million (2021: £0.4 million debit) and exceptional items which were Enil (2021: Enil), as reconciled in the Financial Review (see pages 40 to 42).

Note 4: Adjusted for amortisation of acquired intangible assets

Table is reconciled to statutory information in **Note 4** of the Financial Statements.

Adjusted<sup>1</sup> profit  
before tax

**£28.5m**  
**+11%**

## FINANCIAL REVIEW CONTINUED

### Surgical

Surgical revenues increased by 16% to £74.9 million (2021: £64.6 million) at reported currency and by 11.6% at constant currency. Adjusted operating margin decreased by 230 bps to 29.1% (2021: 31.4%) due to lower shipments of LiquiBand® to US partners, the addition of AFS with a lower operating margin and the adverse margin impact of inflation.

### Woundcare

Woundcare revenues increased by 13% to £49.5 million (2021: £44.0 million) at reported currency and increased 8.4% at constant currency. Adjusted operating margin increased by 40 bps to 15.4% (2021: 15.0%) as a favourable sales pricing mix was offset by the adverse margin impact of inflation.

### 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 18 months. In the financial year, approximately one third of sales were invoiced in Euros and approximately 30% were invoiced in US Dollars.

The Group estimates that a 10% movement in the £:US\$ or £: € exchange rate will impact Sterling revenues by approximately 3.1% and 3.0% respectively and, in the absence of any hedging, this would have an impact on the Group operating margin of 2.5% and 0.3% percentage points respectively.

### Cash flow

The Group continued to generate significant amounts of cash from operations. Net cash inflow from operating activities in the period was £26.9 million, which was lower than 2021 (£31.0 million) due to increased investment in inventory to mitigate the supply chain crisis and to mitigate any potential risks relating to the transition to MDR.

At the end of the period, the Group had net cash of £82.3 million (31 December 2021: £73.0 million) inclusive of the acquisition of AFS.

Working capital increased during the year. Increased inventory and receivables were only partially offset by increased payables. Inventory cover increased to 6.2 months of supply (2021: 4.9 months) due to planned increases in stock levels. Debtor days and creditor days have both remained broadly consistent with prior period at 44 days (2021: 44 days) and 37 days (2021: 37 days) respectively.

Capital investment in equipment, R&D and regulatory costs increased to £9.9 million (2021: £6.5 million) as the Group continues to invest in its future pipeline.

Cash outflow relating to taxation decreased to £3.3 million (2021: £4.1 million) due to the timing of payments on account.

The Group paid its final dividend for the year ended 31 December 2021 of £3.0 million in June 2022 (2021: for the year ending December 2020, £2.6 million in June 2021), and its interim dividend for the six months ended 30 June 2022 of £1.4 million in October 2022 (for the six months ended 30 June 2021: £1.2 million in October 2021).

The Group retains strong support from its two banks, NatWest and HSBC, and in order to retain maximum flexibility of facility size for future acquisitions, it did not renew its credit facility when it expired in December 2022.

**Eddie Johnson**  
Chief Financial Officer

## RISK MANAGEMENT

We continuously review and mitigate historical risks as well as new emerging risks



Operating in the post-COVID current environment, impacted by the war in Ukraine, we continue to embed a rigorous and disciplined approach to risk management across our business. We believe that identification and mitigation of key risks will support the success and sustainability of AMS in the short, medium and long-term.

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 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 and Board at least 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 46**, 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 rescored (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 or been identified. 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 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 controls or process improvements following Internal Audit recommendations.

### Emerging risks

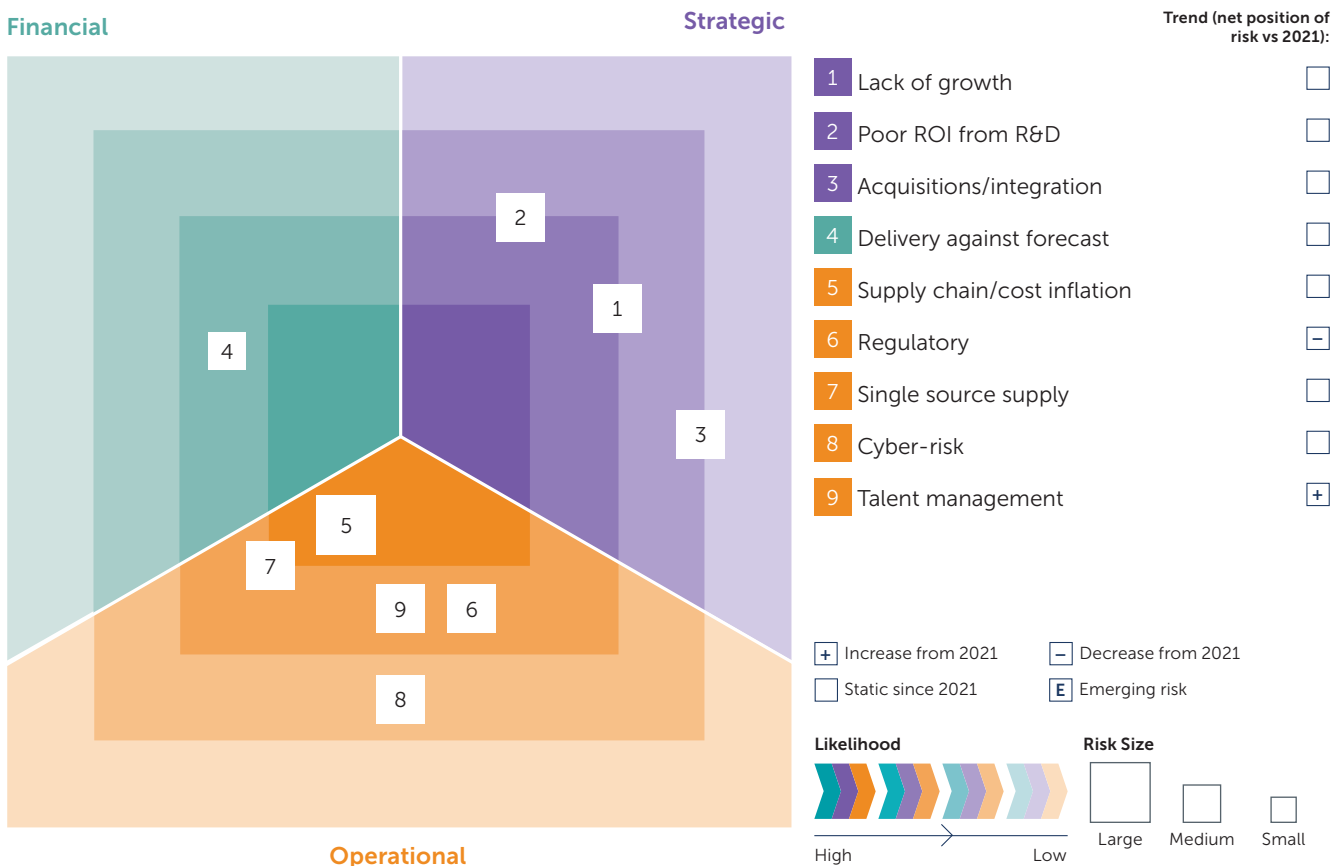
Emerging risks are newly developing risks that cannot yet be fully assessed but that could, in the future, affect the viability of our strategy. We identify these risks by encouraging the reporting of potential risks up the organisation and discussing them openly in a specific SMT Risk Review. We discuss 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



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 MANAGEMENT CONTINUED



## Strategic linkage to risks

**G** Growth   **I** Innovation   **O** Operational Excellence   **C** Culture

### Strategic risks

Risk	Potential impact	Key controls and mitigating factors	Status
<b>1</b> Lack of growth <b>G</b>	<ul style="list-style-type: none"> <li>Income shortfall.</li> <li>Market capitalisation impacted.</li> <li>Reduced profit.</li> <li>Loss of competitive advantage.</li> <li>Loss of key partners.</li> <li>Cost increase.</li> </ul>	<ul style="list-style-type: none"> <li>Development and launch of new products to secure existing and new customers and drive future growth.</li> <li>Making accretive synergistic acquisitions to help fuel growth.</li> <li>Diversified approach reduces the impact on any one project, partner or product.</li> <li>Contract minimas which allow agreements to be renegotiated or terminated for poor performance.</li> <li>Evaluation of opportunities to broaden reach into new markets or adjacent sectors.</li> <li>Ongoing evaluation of incoming technologies for licensing.</li> <li>Full-service offering including strong regulatory and quality assurance, product development, product differentiation and clinical support to mitigate a pure cost of supply proposition.</li> </ul>	  Strong pipeline and well positioned for growth. Strategic review of US LiquiBand® had a short-term negative impact
<b>2</b> Poor return on investment from R&D <b>G I</b>	<ul style="list-style-type: none"> <li>Income shortfall.</li> <li>Market capitalisation impacted.</li> <li>Loss of reputation as an innovator.</li> <li>Loss of competitive advantage.</li> <li>Loss of key partners.</li> <li>Loss of market share.</li> <li>Misidentification of new, competitive technologies.</li> <li>Commercial value of products not maximised.</li> <li>Impairment of assets.</li> </ul>	<ul style="list-style-type: none"> <li>Focusing on unmet needs and large market opportunities.</li> <li>Pipeline of new products/technologies identified to provide growth and differentiation.</li> <li>Unique products protected by IP and enforcement.</li> <li>Improved front-end business planning process.</li> <li>Effective alignment of strategy to consider market changes and promote quality and cost savings.</li> <li>Marketing strategy to support partners and products.</li> <li>Processes to ensure R&amp;D projects progress to plan.</li> <li>Strong links with partners, including universities, to reduce the risk of missed opportunities.</li> <li>Investment in clinical research, personnel, symposia, and Key Opinion Leaders to foster new approaches.</li> <li>Utilise licensing and outsourcing options.</li> </ul>	  No change
<b>3</b> Making the wrong or no acquisition/poor integration <b>G O</b>	<ul style="list-style-type: none"> <li>Impact on Group performance and market capitalisation.</li> <li>Reputational loss.</li> </ul>	<ul style="list-style-type: none"> <li>Strategy set, M&amp;A objectives defined and advisors appointed.</li> <li>Detailed market intelligence and identification of targets.</li> <li>Extensive due diligence process established.</li> <li>Integration plan in place with key milestones.</li> <li>Internal resource being added to improve target mapping.</li> </ul>	  No change

### Financial risks









Risk	Potential impact	Key controls and mitigating factors	Status
<b>4</b> Delivering against forecast – internal accuracy <b>G</b>	<ul style="list-style-type: none"> <li>Loss of income.</li> <li>Increased costs.</li> <li>Shortfall in profit.</li> <li>Market expectations missed.</li> <li>Market capitalisation impacted.</li> </ul>	<ul style="list-style-type: none"> <li>Regular dialogue with investors, advisors and analysts.</li> <li>Robust annual budget process, SMT and Board reviews and monthly pragmatic bottom-up reforecasting.</li> <li>Monthly demand review and SOP process evolved to ensure crossfunctional alignment, content and process.</li> </ul>	  No change



**Strategic linkage to risks**

**G** Growth   **I** Innovation   **O** Operational Excellence   **C** Culture

**Operational risks**

<b>Risk</b>	<b>Potential impact</b>	<b>Key controls and mitigating factors</b>	<b>Status</b>
<b>5</b> <b>Supply chain/ cost inflation</b> <b>O</b>	<ul style="list-style-type: none"> <li>Inability to supply product.</li> <li>Loss of income.</li> <li>Shortfall in profit.</li> <li>Market expectations missed.</li> </ul>	<ul style="list-style-type: none"> <li>Proactive management of supply chain.</li> <li>Improved forecasting and forward planning.</li> <li>Regular communication and forward-ordering with suppliers.</li> <li>Contractual rights enforced with customers to minimise impact.</li> <li>Recovery of cost inflation from customers during annual contract negotiations.</li> </ul>	  No change
<b>6</b> <b>Regulatory risk</b> <b>I</b>	<ul style="list-style-type: none"> <li>Inability to supply product.</li> <li>Product approvals and launches delayed.</li> <li>Loss of product claims.</li> <li>Loss of reputation.</li> </ul>	<ul style="list-style-type: none"> <li>Stringent regulatory regime with an experienced team.</li> <li>Regulatory strategy and additional resource to manage MDR assigned and ringfenced.</li> <li>Strong regulatory pathway to gain approvals.</li> <li>Work with partners and distributors to utilise local expertise.</li> <li>Strictly controlled Quality Management System.</li> </ul>	 MDR extension to 2027/28
<b>7</b> <b>Vulnerability to single source supply</b> <b>O</b>	<ul style="list-style-type: none"> <li>Inability to supply specific products.</li> <li>Increased cost of supply and exposure to cost increases.</li> </ul>	<ul style="list-style-type: none"> <li>Dual source key components wherever possible.</li> <li>Strong Vendor Risk Assessment process.</li> <li>Forward ordering and holding inventory prevent operational issues.</li> <li>Business Interruption Insurance in place.</li> <li>Working closely with suppliers and increasing audits.</li> </ul>	  No change
<b>8</b> <b>Cyber-risk</b> <b>G</b>	<ul style="list-style-type: none"> <li>Systems and data compromised.</li> <li>Financial loss.</li> <li>Business interruption.</li> <li>Loss of reputation.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of audit and testing recommendations.</li> <li>IT administrator access levels tightened.</li> <li>Increased segregation of duties.</li> <li>Cyber Security training for all employees.</li> <li>Engaged consultants and achieved Cyber Essential Certification.</li> </ul>	  No change
<b>9</b> <b>Talent management</b> <b>I O C</b>	<ul style="list-style-type: none"> <li>Loss of key staff.</li> <li>Insufficient talent pool for succession planning.</li> <li>Market conditions result in difficulty filling open roles.</li> </ul>	<ul style="list-style-type: none"> <li>Succession and talent management processes.</li> <li>Developed a grade system to improve career paths.</li> <li>Integrated total reward, performance and culture strategy to drive attraction, retention and employee engagement.</li> <li>Introduced changes to long-term working arrangements.</li> <li>Increased employee engagement.</li> </ul>	 Higher attrition and increased acceptance of remote working

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 6 to 47** was approved by the Board of Directors and signed on its behalf by:

**Eddie Johnson**

**Chief Financial Officer**

18 April 2023

# BOARD OF DIRECTORS

## Committee membership key

- A Audit Committee
- R Remuneration Committee
- N Nomination Committee
- Committee Chair



**Peter Allen**  
Non-Executive Chair



**Chris Meredith**  
Chief Executive Officer



**Eddie Johnson**  
Chief Financial Officer

## Biography

Peter Allen has extensive experience in the healthcare industry, having held key senior positions in a number of companies and played a significant role in their development. This includes 12 years at Celltech Group plc (1992-2004) as CFO and Deputy CEO, six years as Chair (2007-2013) of ProStrakan Group plc (Interim CEO 2010-11), three years as Chair of Proximagen Neurosciences plc (2009-12), five years as Non-Executive Chair of Diurnal plc (2015-2020), nine years as Non-Executive Chair of Clinigen plc (2012-2021) and 11 years as a Non-Executive Director and Non-Executive Chair of Oxford Nanopore Technologies plc (2011-2022).

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 was appointed as Chief Financial Officer in January 2019. He joined AMS in October 2011 and was appointed Group Financial Controller in November 2012. Prior to this he gained a first-class degree in Maths and Computer Science from Keele University in 1993 and qualified as a Chartered Accountant in 1996.

Since moving into industry in 1996 Eddie has held a number of senior finance roles in various sectors including, more recently, Head of Commercial Finance at Norcros plc and Western European Financial Controller for Sumitomo Electrical Wiring Systems.

## Term of office

Peter Allen was appointed as Non-Executive Chair of the Group 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 Chair of Nasdaq-listed Abcam plc. He is also a Non-Executive Director of Istesso Limited, and a qualified Chartered Accountant.

Chris Meredith was appointed Chair of Arterius, a UK-based pre-commercial, non-competitive medical device company, in January 2022. He left his role as a Non-Executive Director of Creavo Medical Technology Ltd in November 2021.

None.



**Grahame Cook**  
Senior Independent  
Non-Executive Director



**Douglas Le Fort**  
Non-Executive Director



**Liz Shanahan**  
Non-Executive Director

Grahame Cook has 18 years' experience in investment banking focusing on global equity capital markets and M&A and corporate advisory services. He was a Managing Director at UBS and joint Chief Executive of Panmure Gordon. 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. He has experience in the healthcare sector, most recently as Chair of Sinclair Pharma plc and as Non-Executive Director of Morphogenesis Inc and Horizon Discovery plc. He has also held Board positions in a number of other companies including MDY Healthcare plc and Crawford Healthcare.

He holds a double first-class degree from Oxford University and is a member of the Institute of Chartered Accountants.

Douglas Le Fort is a seasoned veteran in the medical and life science industry, with more than 20 years of senior executive leadership. He has expertise in business strategy, including commercial business execution, 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.

Liz Shanahan is a life sciences entrepreneur with extensive experience advising leading global pharmaceutical and healthcare organisations on their communications. Most recently, she was a Non-Executive Director of UDG Healthcare plc, a company that was listed on the London Stock Exchange and a constituent of the FTSE 250 up until its £2.8 billion takeover in August 2021. Until 2014, she was Global Head of Healthcare & Lifesciences at the NYSE-listed management consultancy, FTI Consulting Inc., which in 2007 acquired the communications business Santé Communications, founded by Liz in 1995. Liz is a Trustee of CW, the charitable arm of Chelsea & Westminster Foundation Trust Hospital in London and a member of the organisation's Innovations Advisory Board.

Alongside her Board appointments she is a business advisor and Executive coach.

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

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

Liz Shanahan was appointed as Non-Executive Director of AMS in August 2022.

Grahame Cook is Chair of Molten plc, a FTSE 250 Company, and a Non-Executive Director of Minoan plc and Sapience Communications Limited.

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, Clinisupplies, a UK-based manufacturer of chronic care products and "The Insides" Company Ltd, a start-up addressing intestinal failure based in New Zealand.

Liz Shanahan is currently a Non-Executive Director of Inspiration Healthcare Group plc and Celadon Pharmaceuticals plc (previously Summerway Capital plc), both of which are AIM-listed.

## 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



**Andy Donnelly**  
Group R&D Director



**Brian Dowd**  
Vice President - Corporate  
Business Development



**Rose Guang**  
Group Quality Assurance/  
Regulatory Affairs (QA/RA) Director

Simon joined AMS in 2002 as Group Information Systems Manager and, during the Company's growth since then, he has overseen many key IT projects including implementing ERP systems across the Group, integrating acquisitions and relocating the business into its existing Winsford site.

Simon has over 25 years' experience in IT infrastructure, systems implementation and software development gained from a number of different industries. Prior to joining AMS he was Worldwide IT Manager at Whitford Plastics Ltd, a manufacturer of fluoropolymer coatings, supporting them through a period of rapid growth, managing multiple sites and key IT projects including ERP implementation and adoption of the Euro for the European offices.

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

Andy joined AMS in July 2022 as Group R&D Director. Originally trained as a Pharmacist with a PhD in drug delivery Andy has over 25 years of R&D experience leading teams with responsibilities ranging from Drug Product Development, Device Development and Drug-Device Combination Products.

Andy served 17 years at AstraZeneca, where he also gained international experience through roles based in the UK, Sweden and the USA. After leaving AstraZeneca he joined Bepak, spending eight years at their Innovation Centre in Cambridge, UK.

Prior to joining AMS, Andy was Vice President Innovation at Bepak (part of the Recipharm Group).

Brian joined AMS in July 2009 as GM of the US to initiate a surgical business and launch LiquiBand. Brian graduated with honours and a degree in Marketing/Communications and Entrepreneurial studies from Babson College in 1997 and earned an Executive MBA from the Sawyer School of Management, Suffolk University in 2005.

Brian has over 20 years' experience in Medical Devices; his first 10 at Tyco/Covidien mostly involved with Dental and AWC products. Since joining AMS Brian has been the GM of the US business in which he developed the US team and grew to +20% Market Share; he has also served as Global Director of Marketing for the Surgical BU prior to taking his current post in early 2022.

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

Rose is also a 6 Sigma Master Black Belt.



**Ross McDonald**  
Business Unit Director, Surgical



**Cathy Tomlinson**  
Group HR Director



**Becky Walmsley**  
Business Unit Director, Woundcare



**Owen Bromley**  
Company Secretary

Prior to joining AMS in January 2006 Ross graduated with his BSc from University of Glasgow and then completed an MSc in Entrepreneurial Studies from Glasgow Caledonian University. Following university, Ross then spent five years within the Pharmaceutical industry.

Upon joining AMS, from 2006 to 2012, Ross worked across our direct and distributed sales functions both in the UK Sales organisation, before taking on responsibility for the European Woundcare Business in 2010. In 2012 Ross relocated to the US. In his role as National Sales Manager Americas, he contributed to a period of sustained and high growth for the LiquiBand® franchise. 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 for the Surgical Business Unit.

In January 2021, Ross was appointed to the Business Unit Director role for the Surgical Business Unit.

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

# A strong governance framework to support our resilience, innovation and growth



### Dear Shareholder,

On behalf of the Board, I am pleased to present the Corporate Governance Report for the year ended 31 December 2022.

Corporate Governance is as important as ever in the current market conditions and, in this environment, I am delighted with the resilience that the Company has shown as it continues to invest in innovation and deliver growth as well as progressing with its ESG strategy.

The Board believes that shareholder engagement and strong corporate governance are critical to the success of our strategy, outlined on **pages 14 to 17**, and to delivering long-term, sustainable shareholder value.

### Changes to the Board and Succession Planning

In 2022 we continued to refresh the composition of Non-Executives on the Board after an extensive search led to the appointment of Liz Shanahan to the Board in August. Following long service, Penny Freer retired from the Board at the 2022 AGM and Douglas Le Fort took on the role of Chair of the Remuneration Committee.

I recognise that I have now been Chair for more than the nine years recommended by the UK Corporate Governance Code, but also note that Code states that this period can be extended for a limited time to facilitate effective succession planning and the development of a diverse board. The recruitment process for my successor is well underway and we expect this to be completed in the near future. I am therefore putting myself forward for re-election at the AGM and will step down once this process is complete, allowing for a smooth and effective handover. We will keep the market updated on progress regarding this appointment.

The appointment of my successor will complete the programme of Board refreshment, started in 2020. I have thoroughly enjoyed being part of the growth of AMS during my tenure and wish the Company continued success. I believe the appointments made during this period will provide the Board with the skills and experience for the future success of the business, and to continue the growth seen in recent years.

“Achieving our strategic goals through good governance and integrity across our entire business.”

### 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 56** 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, which is exemplified by the fact that we engaged with a number of key shareholders on our ESG strategy in 2022. Details of how we engage with our stakeholders are set out on **pages 24 to 27**.

### Environmental, Social and Governance (ESG)

ESG is a focus area for our stakeholders and we continued to devote significant time and resource to our ESG strategy during 2022, including an Internal Audit to assess our progress and ensure that we are focused on the key areas. Our ESG framework provides the basis for us to continue to make progress on ESG in future years and we have begun work with an external consultant on our Pathway to Net Zero, which has provided us with a Carbon Balance Sheet which was a key part of a Net Zero Workshop. Details of our progress is set out in the ESG Report on **pages 32 to 33**.

### Recognition and Looking Forward

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 2022 in facing the challenges posed by current economic conditions.

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 navigation of challenging global conditions
- Supporting the refinement and implementation of our ESG strategy.

### Peter Allen

#### Chair and Chair of the Nomination Committee

18 April 2023

### Corporate Governance Report

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 seven times during the year. All of the meetings were held in the UK. The Directors attended the following meetings in the year ended 31 December 2022:

Board member	Board	Audit Committee	Remuneration Committee	Nomination Committee
Peter Allen	7/7	3/3*	3/3	4/4
Grahame Cook	7/7	3/3	3/3	4/4
Douglas Le Fort	7/7	3/3	3/3	4/4
Chris Meredith	7/7	3/3*	3/3*	4/4
Eddie Johnson	7/7	3/3*	3/3*	4/4*
Penny Freer (retired 8 June 2022)	4/4	3/3	1/1	3/3
Liz Shanahan**	3/3	2/2	2/2	1/1

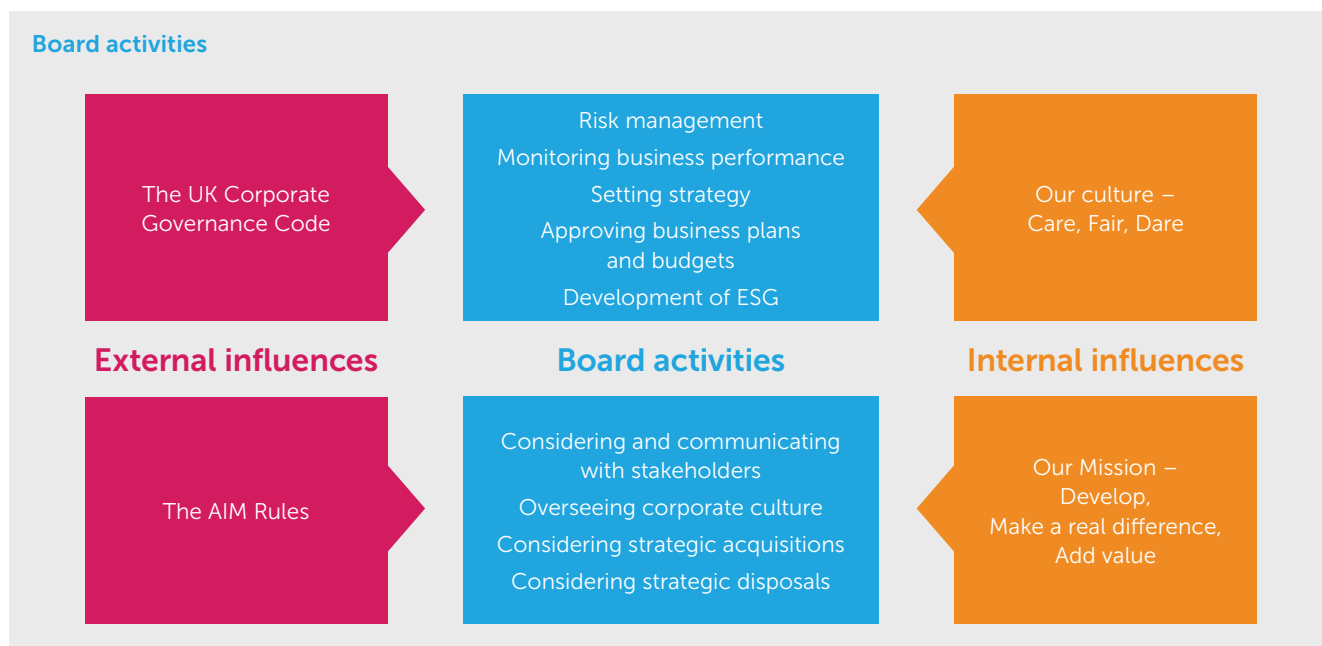
\* Invited.

\*\* Appointed as Non-Executive Director on 1 August 2022.

In 2022, as part of the focus on key stakeholders, the Board has given significant focus on building on our ESG Framework as can be seen in our ESG Report on **pages 28 to 39**, with a particular focus on developing our Pathway to Net Zero. Liz Shanahan was designated as the Non-Executive Director for workforce engagement following her appointment and employee engagement remained high, with a Group-wide engagement survey and CEO video conferences with each site. Management have regularly updated the Board on employee engagement throughout the year. The engagement score in our 2022 employee engagement survey indicates a high overall level of satisfaction in the workforce, confirming our expectation that the actions taken from the output of the 2021 survey had been positively received. In 2023 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). Direct engagement with our significant shareholders in 2020 and 2021 on ESG, Remuneration Policy and Board refreshment meant that our plans have been clearly communicated and no further engagement outside of the usual discussion with management were required in 2022. Details of our principal risks are set out on **pages 46 and 47**. 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 2022 is set out on **page 56**.

# CORPORATE GOVERNANCE REPORT CONTINUED



## Vision

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

### 2023 AGM

In 2023, we will put forward all Directors for re-election in accordance with Code Provision 18.

Peter Allen and Liz Shanahan own shares in the Company as shown on **page 74**. These holdings have been highlighted to shareholders and are small. Although not an issue for the Chair, they would not be considered to impact Non-Executive Director independence under Code Provision 10.

The 2023 AGM will be convened at 11.00am on 31 May 2023. The 2023 Annual General Meeting will not have any COVID-19 specific restrictions on attendance and participation. Details of the AGM will be outlined in the AGM Notice, on the Company's website [www.admedsol.com](http://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](http://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.

### Relations with Shareholders

The Strategic Report, which incorporates the Chair'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 24 to 27**.

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](http://www.admedsol.com) is regularly updated and provides additional information on the Group including information on the Group's products and technology.

### 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 Chair and the Chief Executive Officer of the Company. The roles are clearly set out in writing.



Chair  
**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  
**Grahame Cook**

- 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 (see right).
- Chairs meetings of the Nominations Committee when it is considering succession to the Chair.
- Provides a sounding board for the Chair and conducts the Chair's annual evaluation.



Non-Executive Directors  
**Liz Shanahan**



**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.
- Responsibility for Workforce Engagement (by appointment)

### 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 Chair, 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, corporate governance, risk management, development of Environmental, Social and Governance strategy 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.

Matters considered by the Board in 2022 included:

- Strategic plans.
- Vision, Mission and Values.
- Supply chain resilience.
- Continuing impact of the COVID-19 pandemic.
- Impact of inflation and rising cost of living.
- Environmental, Social, Governance (ESG).
- Impacts of Brexit.
- Dividend policy.
- Acquisition strategy including potential acquisition targets and valuations.
- MDR and regulatory pathways.
- Health and safety.
- UK Corporate Governance Code compliance.
- Board refreshment.
- Directors' responsibilities.
- Group delegation of authority policy.
- Risk review including disaster recovery and business interruption.
- Major capital expenditure.
- Finance and operations review.
- Board evaluation and Board support.
- Reports from the Board Committees.
- Annual budget, results, forecast updates.
- Organisation and Senior Management structure.
- Shareholder base and investor engagement.
- 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 Non-Executive Directors are able to contact the Executive Directors, Company Secretary or Senior Managers at any time for information about the Group.

## Board Committees

The Board has delegated authority to the Audit, Remuneration and Nomination Committees. Grahame Cook, Douglas Le Fort and Liz Shanahan 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 Chair, two Executive Directors and three Non-Executive Directors. The Directors' profiles on **pages 48 and 49** 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 Chair 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 Liz Shanahan can be found on **page 60**.

## 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 and a number of nationalities. The female Board representation at 31 December 2022 was 16.7%. The FTSE Womens Leaders Review 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 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.

## 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 company does not consider the current contributions of 10% to be excessive and will review this for any new appointments. We are unable to comply with Provision 31 as we do not prepare a formal viability statement. Please see references to Going Concern on **pages 57, 62, 80 and 92**.

### 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 65 to 75** and the full terms and conditions of appointment of the Non-Executive Directors are available at the Company's Registered Office.

### Tenure Chart

The Board was comprised of either five or six members throughout 2022. The Board tenure is shown below.

	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											31 May 2023
Grahame Cook	1 February 2021											31 May 2023
Chris Meredith	11 April 2006											31 May 2023
Eddie Johnson	1 January 2019											31 May 2023
Douglas Le Fort	2 August 2021											31 May 2023
Liz Shanahan	1 August 2022											31 May 2023
Penny Freer	1 March 2010											Retired in 2022

### 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 59**.

Training and development needs of Directors are reviewed regularly. The Directors are kept apprised of developments in legal, regulatory and financial matters affecting the Group by the Company Secretary and the Group's External Auditors and advisors.

### Professional Advice, Indemnities and Insurance

There is provision for Directors to take independent professional advice relating to the discharge of their responsibilities, 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 60**.

### Audit, Nomination and Remuneration Committees

The Committee Reports can be found on **pages 61 to 64, 58 to 60 and 65 to 75** 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, The Group continues to be highly cash-generative and had net cash of £82.3 million at December 2022 and the potential for significant debt funding with its banks (NatWest and HSBC).

Demand for the Group's products is strong, despite levels of elective surgery remaining below pre-pandemic levels, due to capacity issues in the healthcare systems of most major economies. Contracts are in place with key customers that include government agencies and global healthcare companies across different geographic regions that have substantial financial resources.

The Group continues to closely monitor the global supply chain crisis and the ongoing impact of high inflation, increased cost of living, ongoing cases of COVID-19, and workforce issues in the NHS and other 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 65 to 75**.

## NOMINATION COMMITTEE REPORT

# Good progress in refreshing the Board for future challenges



### Dear Shareholder,

As Chair of the Nomination Committee, I am pleased to present the Committee's report for the year ended 31 December 2022. 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 the utmost professionalism and diligence.

The Committee met three times during the year and was chaired by myself, with Grahame Cook, Douglas Le Fort and Chris Meredith as the other Committee members in place throughout the year.

We initiated a plan to refresh the composition of the Board in 2020, which progressed in 2022 with Penny Freer retiring at the AGM. Liz Shanahan joined the Board as a Non-Executive Director on 1 August 2022 and was appointed to the Committee immediately.

The Committee remains focused on this programme of Board refreshment and the final step is to recruit my successor. This recruitment process is well progressed, taking into account the FTSE Women Leaders Review and our commitment to equality and diversity.

We will report to shareholders on the outcome of this recruitment process once it is complete, ensuring a smooth and effective handover of responsibilities.

I believe that the actions we have taken will ensure that the Board's size and composition is appropriate for a Group of AMS's 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 2022 and that AMS continues to be a great place to work and attract great people.

**Peter Allen**  
**Chair of the Nomination Committee**  
18 April 2023

"The Committee has continued to focus on succession planning and the programme of Board refreshment."

### Attendance record and tenure in 2022

Member	Number of meetings held during the year	Number of meetings attended	Committee tenure
Peter Allen (Chair)	3	3	9 years
Grahame Cook	3	3	2 years
Douglas Le Fort	3	3	18 months
Chris Meredith	3	3	12 years
Liz Shanahan (joined 1 August 2022)	2	2	5 months
Penny Freer (retired in June 2022)	1	1	13 years

### Board changes in the year

The Committee oversaw a rigorous recruitment process for the appointment of a Non-Executive Director following the retirement of Penny Freer. We were delighted to welcome Liz Shanahan to the Board on 1 August 2022. Her appointment followed an extensive search which the Chair led with an executive search consultancy, Dzaleta Consulting, who specialise in Life Sciences. A shortlist of candidates were interviewed by members of the Board.

Liz Shanahan is a life sciences entrepreneur with extensive experience advising leading global pharmaceutical and healthcare organisations on their communications. Most recently, she was a Non-Executive Director of UDG Healthcare plc, a company that was listed on the London Stock Exchange and a constituent of the FTSE 250 up until its £2.8 billion takeover in August 2021. Until 2014, she was Global Head of Healthcare & Lifesciences at the NYSE-listed management consultancy, FTI Consulting Inc., which in 2007 acquired the communications business Santé Communications, founded by Liz in 1995. Liz is a Trustee of CW, the charitable arm of Chelsea & Westminster Foundation Trust Hospital in London and a member of the organisation’s Innovations Advisory.

Following Liz’s appointment, the Board assessed their composition, skills and experience and decided that no further changes were required except for changing the Chair of the Board due to the requirements of the UK Corporate Governance Code and in line with our succession planning programme. Liz took on responsibility for Workforce Engagement following Penny’s retirement.

Board members were unanimous in approving the appointment of Liz. Following her appointment she received a tailored induction programme to enhance her knowledge and understanding of the Company’s business, strategy and governance structure, as well as her own duties and responsibilities. She spent time with the Executive Directors, Non-Executive Directors, Senior Management Team, Company Secretary and other key personnel. She also received a briefing on her role and duties as a Director of a publicly traded company from external advisers.

### Non-Executive Director appointment process

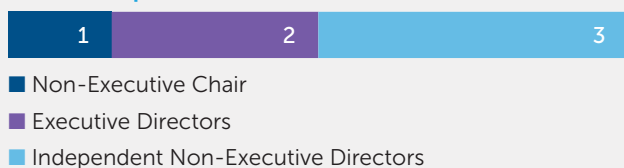
Board composition is central to the effective leadership of the Group and therefore prior to commencing any search for prospective Board members, the Committee draws up a specification, reflecting on the Board’s current balance of skills and experience and conscious of the desire to promote diversity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

### Gender diversity

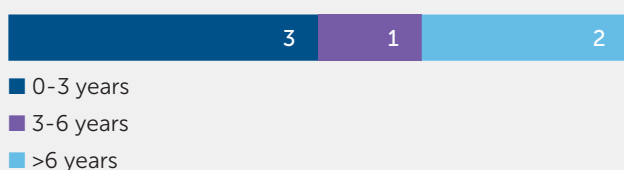
Following the Board changes in the year, female representation on the Board remains at 16.7%. AMS continues to see the development of female executive talent as important, which is reflected in the female representation in the Senior Management Team (43%).

# NOMINATION COMMITTEE REPORT CONTINUED

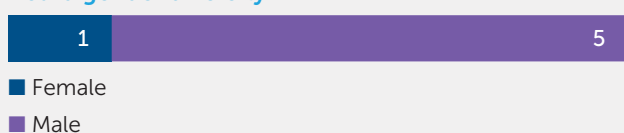
## Board composition



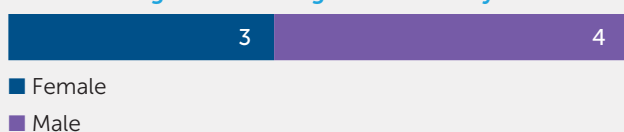
## Board tenure



## Board gender diversity



## Senior Management Team gender diversity



## Activity in the year

The Committee focused on the appointment of a Non-Executive Director and initial work on replacing the Chair in 2022. We have appointed Dzaleta Consulting for all executive searches in 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 2022. The overall findings from the effectiveness reviews concluded that AMS's Board, Committees and individual Directors continue to operate effectively and the Board actively discussed any recommendations arising out of the evaluations.

## Priorities for 2023

The Committee will support the appointment and onboarding of the new Chair in 2023. We will also continue to assess the support required to develop the Senior Management Team and potential succession internally, as well as the activity necessary to drive a broader equality, diversity and inclusion action plan.

## Appointment process

### SCOPING

Nomination Committee discussion  
(Both scheduled and ad hoc meetings)

#### Considerations

- Identification of a vacancy.
- Needs of the organisation, currently and future.
- The personal skills and qualifications required.
- The dynamics of the current Board.

Appointment of an Executive Search Consultancy

#### Considerations

- Market reputation.
- Reach.
- 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

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**

# Strong governance of the Group's financial reporting and risk management, protecting shareholders' interests and supporting the long-term strategy



**Grahame Cook,**  
Chair of the  
Audit Committee

## Dear Shareholder,

As Chair of the Audit Committee, I am pleased to present the Committee's report for the year ended 31 December 2022.

This report sets out 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 UK Corporate Governance Code, FRC Guidance for Audit Committees and other best practice. The Committee's Terms of Reference are available on our Website.

Strong governance of audit and risk management is critical to the Group, to allow it to deliver the strategy outlined in detail in the Our Strategy section on **pages 14 to 17**.

The Committee works to a structured programme of activities focused on the Group's reporting cycle, principal risks and future strategy. Robust internal controls and risk management systems ensure the resilience of the Group, while remaining operationally agile and adaptable. Our work is ably supported by our External Auditors, Deloitte, and our Internal Auditors, RSM.

Liz Shanahan became a member of the Committee on her appointment as a Non-Executive Director on 1 August 2022.

The Committee met three times in 2022. 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 resilience of the Group in the light of current challenges, including exchange rate instability, higher energy prices, unstable global supply chains, rising interest rates and high inflation globally.

**Grahame Cook**  
**Chair of the Audit Committee**  
18 April 2023

# AUDIT COMMITTEE REPORT CONTINUED

## Attendance record and tenure in 2022

Member	Number of meetings held during the year	Number of meetings attended	Committee tenure
Grahame Cook (Chair)	3	3	2 years
Douglas Le Fort	3	3	18 months
Liz Shanahan (joined 1 August 2022)	2	2	5 months
Penny Freer (retired in June 2022 at the AGM)	1	1	13 years

The Audit Committee governs the Group's internal controls, financial reporting and risk management, to provide assurance to shareholders and other stakeholders.

### 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 2022.

### 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. 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.

There was one project in 2022 where expenditure exceeded the £10,000 threshold for approval by the Committee, which was the £29,500 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 15 financial years. A performance, effectiveness and independence evaluation led the Committee to recommend the reappointment of Deloitte LLP as the Group's External Auditor for the next financial year.



### Audit Committee activities

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

Topic	2022 main activities and key areas of focus
<b>Financial Statements and Reports</b>	<ul style="list-style-type: none"> <li>• Reviewed and approved the External Audit fees for 2022.</li> <li>• Reviewed the annual and half-yearly financial reports and related statements.</li> <li>• Assessed key accounting judgements.</li> <li>• Reviewed all significant matters in relation to the Financial Statements and how these have been addressed including:                             <ul style="list-style-type: none"> <li>– 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 any external uncertainties 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.</li> <li>– Impairment - reviewed the carrying amounts of its tangible and intangible assets to identify any indication of impairment losses. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. 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. The Committee concluded that there was no requirement to record an impairment of either of our two business units, Surgical and Woundcare, with our models showing a significant level of comfort.</li> <li>– 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 on our supply chain due to a variety of factors.</li> </ul> </li> </ul>
<b>External Audit</b>	<ul style="list-style-type: none"> <li>• Monitored the independence and ensured the objectivity of the External Auditor, approved the Audit Plan for the 2022 audit, reviewed the performance of the External Auditor, considered the reappointment of Deloitte LLP as Auditor for 2023 and recommended their reappointment to the Board. In line with Best Practice as the incumbent Audit Partner had served for five years, a new Audit Partner commenced in April 2022. In line with best practice, the Committee meets periodically with the External Auditor without management being present.</li> </ul>
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>• Continued the rolling Internal Audit Plan from RSM, including reports on supply chain and a follow-up on business continuity and disaster planning.</li> </ul>
<b>Risk Management</b>	<ul style="list-style-type: none"> <li>• Reviewed and considered key risks to the Group, the plans and controls to mitigate these risks and scoring criteria.</li> </ul>
<b>Effectiveness of External Auditor</b>	<p>An annual performance review of the External Auditor was undertaken in December 2022 to assess:</p> <ul style="list-style-type: none"> <li>• Effectiveness of the audit process.</li> <li>• 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.</li> <li>• 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.</li> <li>• Communication regarding good practice, changes to reporting requirements and accounting standards enables the Group to be properly prepared. Timely provision of audit papers enables adequate management review, Committee consideration and feedback.</li> <li>• Scoping and planning – timely provision of the External Audit Plan and timetable.</li> <li>• 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.</li> <li>• 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 support, with non-audit services typically being 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.</li> </ul>

# AUDIT COMMITTEE REPORT CONTINUED

## 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. A three-year Internal Audit Plan with RSM was agreed in December 2022 to cover 2023–2025. The Committee:

- Ensures the Internal Audit 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 2022 the Internal Auditor undertook reviews in line with the Internal Audit Plan previously agreed by the Committee. These reviews led to RSM reporting to the Committee on:

- Supply chain.
- Business continuity and disaster recovery follow-up.

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 December 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 Company Chair. This policy allows for reporting to be made on a confidential basis if necessary. This was last updated in September 2022.

Any weaknesses identified in the Group's internal control system are reported to the Committee and corrective actions agreed. General IT control findings have been noted and we are working to remediate the deficiencies. In 2022 the Banking and Treasury and Purchase to Pay Controls were updated and the changes reviewed by the Committee.

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.

The Committee also reviewed an External Assurance List, a summary of all audits and checks of various functions such as IT conducted by external parties in 2022, and a list of all Group insurance Policies, to ensure there is sufficient coverage in all key areas. These reviews will be held annually.

## REMUNERATION COMMITTEE REPORT

Our remuneration policy supports value creation and long-term sustainable growth by aligning interests across the Group and encouraging employee share ownership



**Douglas Le Fort,**  
Chair of the  
Remuneration  
Committee

### Dear Shareholder,

I am pleased to present the Remuneration Committee Report for the year ended 31 December 2022. I took over the Committee Chair position following Penny Freer's retirement at the 2022 AGM, having worked closely with her for a period of almost 12 months.

Peter Allen and Grahame Cook were members of the Committee throughout the year, with Liz Shanahan becoming a member of the Committee on her appointment as a Non-Executive Director on 1 August 2022. The Committee formally met three times during 2022.

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 an increasingly challenging economic environment.

AMS takes governance seriously and we remain committed to high standards of corporate governance, putting this report to an advisory vote each year at the AGM.

Our Remuneration Policy is designed to ensure that we are able to attract, motivate and retain the talent we need to ensure the resilience of the Group in these challenging times, in particular with the cost-of-living crisis being experienced in many parts of the world. This was evidenced by providing support for our low earners in 2022, which has continued into 2023.

A resolution will be put to shareholders at the AGM on 31 May 2023 asking shareholders to consider and approve this Report.

**Douglas Le Fort**  
**Chair of the Remuneration Committee**  
18 April 2023

"A Remuneration Policy to reflect the views of our shareholders, support our employees and support long-term, sustainable growth."

# REMUNERATION COMMITTEE REPORT CONTINUED

## Attendance record and tenure in 2022

Member	Number of meetings held during the year when the Director was a member	Number of meetings attended	Committee tenure
Douglas Le Fort (Chair)	3	3	18 months
Peter Allen	3	3	9 years
Grahame Cook	3	3	2 years
Liz Shanahan (joined 1 August 2022)	2	2	5 months
Penny Freer (retired at the 2022 AGM)	1	1	13 years

## Remuneration for 2022

The annual bonus awards and Long-Term Incentive Plan ('LTIP') vesting in 2022 for the Executive Directors were as follows:

### Annual bonus

The performance conditions for the Executives 2022 annual bonus were based on the achievement of two financial targets (Revenue and Adjusted PBT – accounting for 70% of the total bonus) and an assessment of the delivery of personal objectives (accounting for 30% of the total bonus). In view of performance, the Committee determined:

- Revenue of (£124.3m) was above the threshold (£114.4m) and target (£120.4m).
- Adjusted PBT of £28.5 million was marginally below the threshold figure of £28.6 million.
- Personal objectives are linked to corporate, financial, strategic and non-financial objectives (see **page 71**). The Committee determined that 90% of these objectives were achieved.

### LTIP

LTIP awards granted to Chris Meredith and Eddie Johnson in April 2019 were due to vest in 2022 with performance criteria and weightings as follows:

- TSR (50%) – the performance period ended on 23 April 2022. The Company ranked below the median (40th out of 64 comparators) which resulted in a vesting of 0%.
- EPS (50%) – the growth in EPS was calculated over the three financial years to 31 December 2021. The average annual growth was 8.46%, above the threshold level of 5% which resulted in a vesting of 42.3%.
- Overall across both elements the final vesting result was 21.2%.

### Implementation of Remuneration Policy in 2022

The Committee undertook a review of the Remuneration Policy ('Policy') in 2022; we reviewed salaries and the bonus scheme. As a result of this review and shareholder engagement we have made the following changes:

In January 2022 Chris Meredith's salary was increased from £350,000 to £364,000 and Eddie Johnson's salary from £210,000 to £218,400. Both increases were 4%, in line with the workforce. In line with the longstanding commitment to bring Eddie's salary to around the 50th percentile for equivalent CFOs, given his experience and strong performance, his salary was increased to £250,000 in January 2023.

As announced in the last Annual report, the Committee reviewed the annual bonus scheme and LTIP award levels for Executive Directors and the Senior Management Team in early 2022, and several changes were agreed that became effective from January 2022 and will remain in place moving forward:

- Increased importance given to key non-financial objectives. 30% of the total bonus is now based on personal objectives (including specific ESG targets) where exceptional achievement may result in the award of a bonus even if financial objectives were not achieved. The remainder is based on stretch revenue and adjusted PBT targets (35% for each). The formal EPS target has been removed.
- Eddie Johnson's maximum bonus potential increased to 100% of salary (up from 75%), to bring him in line with the market median for CFO bonus potential. Chris Meredith's maximum potential bonus remains at 150% of salary.
- Senior Management Team maximum bonus potential increased from 50% to 75% of salary.
- Eddie Johnson's maximum LTIP award increased 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 of 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 structure of LTIP awards has changed. These are now 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 69 and 70**. 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 can be found on the Company's website ([www.admedsol.com](http://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 made in 2022 to the annual bonus requirements ensures 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](mailto: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 Chair of the Board. Biographical information on the members is set out on **pages 48 and 49**. 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 roles 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](http://www.admedsol.com).

The activities the Remuneration Committee undertook in 2022 were:

Month	Principal activities
<b>February</b>	<ul style="list-style-type: none"> <li>• Review of 2021 personal objectives and implications for Bonus and Deferred Annual Bonus awards.</li> <li>• Discussion on 2022 personal objectives for the Executive Directors and review of 2022 Corporate Objectives.</li> <li>• Review and ratification of amended 2022 annual bonus scheme.</li> <li>• Review of 2022 LTIP and share option awards for 2022 (Executive Directors, SMT and key employees).</li> <li>• Review of Gender Pay Gap Report.</li> <li>• Decision on how to run the Share Incentive Plan in 2022 and set investment limits.</li> </ul>
<b>October</b>	<ul style="list-style-type: none"> <li>• Reviewed progress of 2022 personal objectives for Executive Directors.</li> <li>• Reviewed status of 2022 bonus.</li> <li>• Review of compliance with Executive Shareholding Policy.</li> <li>• Renewal of Executive Shareholding Policy and Good Leaver Delegation Policy.</li> <li>• Cost-of-Living and 2023 Budget planning discussion.</li> </ul>

# REMUNERATION COMMITTEE REPORT CONTINUED

Month	Principal activities
December	<ul style="list-style-type: none"> <li>• Discussed 2023 salaries for the Executive Directors, SMT and workforce overall.</li> <li>• Discussed implications of the cost-of-living increase for 2023.</li> <li>• Initial review of achievement of 2022 personal objectives and Corporate Objectives.</li> <li>• Discussion regarding 2023 personal objectives for Executive Directors.</li> <li>• Review of results of Committee Self Assessment questionnaire.</li> <li>• Reviewed Terms of Reference, Directors' Expenses Policy and 2023 Remuneration Committee Meeting dates.</li> </ul>

## 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. In 2022 the Policy included 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 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 were not engaged in 2022 to provide guidance. Ellason are the only advisor who provide material assistance to the Committee:

Advisors	Fees for Committee assistance
Ellason LLP	£Nil (2021: £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 2022 financial year was 4% for the SMT and the broader employee population, which took effect from 1 January 2022. 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. Non-Executive Director fees were also increased by 4%. Details of these increases are provided below. The Committee will continue to review Executive Director and Non-Executive Director salaries against industry benchmarks during 2023.

In the second half of 2022, AMS started to provide additional financial support to its lower-paid employees across the Group to help them to cope with the cost-of-living crisis. This support has continued in 2023.

### Statement of voting at Annual General Meeting (AGM)

At the 2022 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	121,168,966	99.02%	0.98%

### 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
<b>Base salary</b>	<p>To provide competitive fixed remuneration.</p> <p>To attract, retain and motivate Executive Directors and Senior Management of the right calibre to deliver the Company's strategy and to provide a core level of reward for the role.</p>	<p>In line with the Policy salary levels are set taking into account experience, responsibilities and performance, both from an individual and business perspective and from utilising external market data (benchmarking).</p> <p>Salaries are reviewed annually. Changes are usually effective from 1 January. Current salaries of the Executive Directors are set out on page 66. A review was last carried out in December 2022.</p>	<p>Where there is a change in responsibility, progression in the role, change in size or structure of the Group or increased experience of the Executive Director or member of Senior Management, the Committee retains the discretion to award a higher increase than the standard increase for the UK workforce.</p>
<b>Benefits</b>	To provide a competitive level of benefit provision.	Executive Directors and their families receive private medical insurance. No maximum cost.	N/A
<b>Annual Performance Bonus</b>	To drive and reward performance against annual financial and operational goals which are consistent with the medium to long-term strategic needs of the business.	<p>Executive Directors are entitled to receive an Annual Performance Bonus to be determined by the Committee based on the Group's financial performance and the achievement of specific personal targets set by the Committee.</p> <p>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.</p> <p>The maximum percentages of salary achievable are set out on <b>page 72</b>.</p>	<p>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).</p> <p>Business need may alter future bonus measures or weightings.</p>
<b>Deferred Annual Bonus (DAB)</b>	Provides mechanism to exercise malus provisions.	<p>The DAB requires Executive Directors and SMT to defer up to 25% of their Annual Performance Bonus for three years.</p> <p>The DAB includes malus provisions which are laid out on <b>page 71</b>. Clawback provisions also apply to the DAB.</p>	N/A
<b>Share Incentive Plan (SIP) (previously DSB)</b>	To align the interests of all employees with shareholders, incentivise long-term value creation and act as a retention tool.	The SIP 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

## 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
<b>Long-Term Incentive Plan (LTIP)</b>	To align the interests of the Executive Directors and SMT with shareholders and to incentivise long-term value creation.	<p>The LTIP permits an annual grant that vests subject to performance and employment.</p> <p>Under LTIP rules, the maximum annual award is 200% of salary. Details of the award levels for 2022 are set out below. Awards under the LTIP may be granted in the form of nil-cost options or cash (where they cannot be settled in shares). Awards have a £1 consideration.</p> <p>50% of the 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.</p> <p>The 2014 LTIP scheme introduced malus provisions which are laid out below. The scheme has also been revised to allow for clawback provisions.</p>	<p>No shares shall vest from the proportion of the Award determined by reference to the AIM Healthcare Share Index if the Company is ranked below median. Awards vest on a sliding scale from 25% to 100% for performance from median to upper quartile.</p> <p>Performance against EPS will be based on the percentage increase in the Group's EPS over a three-year period commencing on 1 January of the year in which the Award is made. Awards vest on a sliding scale from 25% to 100% for an average annual EPS growth rate over the vesting period of a minimum of 5% rising to 20%. No awards will be made for an average annual growth rate below the 5%.</p> <p>The Committee has flexibility to make adjustments to performance conditions to ensure the Award achieves its purpose. Vesting is subject to the Committee being satisfied that the Group's performance on these measures is consistent with the performance of the business.</p>
<b>Pension</b>	To provide a market competitive remuneration package to enable the recruitment and retention of Executive Directors and Senior Management.	<p>Executive Directors contribute up to 10% of salary into a defined contribution plan with the Group contributing a fixed 10%. All other UK employees contribute a minimum of 3% which is matched by a Company contribution of 6%. An employee may substitute pension contributions for salary if they are impacted by limitations on the size of individual personal pension funds.</p> <p>It is intended that any new Executive Directors will have a pension in line with the workforce.</p>	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 (2021 and 2022)

	Salary and fees		Annual Performance Bonus		Deferred Bonus		LTIPs vested <sup>1</sup>		Gains on SIP vested <sup>1</sup>		Benefits		Pensions		Total remuneration	
	22	21	22	21	22	21	22	21	22	21	22	21	22	21	22	21
Chris Meredith	339	329	218	150	73	19	112	–	55	11	1	1	34	33	832	543
Eddie Johnson	218	192	95	45	32	6	24	–	20	37	1	1	22	19	412	300
Peter Allen	94	83	–	–	–	–	–	–	–	–	–	–	–	–	94	83
Penny Freer <sup>2</sup>	27	49	–	–	–	–	–	–	–	–	–	–	–	–	27	49
Grahame Cook	53	44	–	–	–	–	–	–	–	–	–	–	–	–	53	44
Douglas Le Fort	48	18	–	–	–	–	–	–	–	–	–	–	–	–	48	18
Liz Shanahan	18	–	–	–	–	–	–	–	–	–	–	–	–	–	18	–
<b>Total</b>	<b>797</b>	<b>737<sup>3</sup></b>	<b>313</b>	<b>195</b>	<b>105</b>	<b>25</b>	<b>136</b>	<b>–</b>	<b>75</b>	<b>48</b>	<b>2</b>	<b>2</b>	<b>56</b>	<b>52</b>	<b>1,484</b>	<b>1,059<sup>3</sup></b>

1 Gains on SIPs vested is based on the share price at vesting date. Details of the SIP can be found on page 69.

2 Penny Freer retired on 8 June 2022.

3 Includes £22,000 of fees paid to Steve Bellamy prior to his retirement on 8 June 2021.

The table above summarises the payments made and amounts earned by the Executive and Non-Executive Directors for the 2021 and 2022 financial years. The fees for the Chair of the Audit Committee and Remuneration Committees (Grahame Cook and Douglas Le Fort) include a fee of £8,000 for chairing a Committee and a £3,000 fee for the Senior Independent Director (Grahame Cook – previously no fee). The Executive Directors were granted LTIPs as detailed on page 72. All Directors have confirmed that they have not received remuneration save as disclosed above.

### Salaries and fees

Details of 2022 salaries for the Executive Directors are outlined on page 66 and for the prior year in the table above.

### Annual Performance Bonus and Deferred Annual Bonus

Details of the Annual Performance Bonus and Deferred Annual Bonus are outlined on page 69.

The personal objectives for the Executive Directors for the year ended 31 December 2022 included progress in new product launches, development of the SMT and progress with the successful integration of recent acquisitions. The table below summarises 2022 performance against the targets:

Performance measures	Weighting	Threshold £m	Target £m	Stretch £m	Achievement £m	2022 result (% of maximum)
Group Revenue	35%	114.4	120.4	126.4	124.3	31%
Adjusted Profit Before Tax	35%	28.6	28.6	29.9	28.5	0%
Personal objectives/values assessment	30%	Committee assessed that Executive Directors achieved 90% of their objectives			90%	27%
<b>Total</b>	<b>100%</b>					

## REMUNERATION COMMITTEE REPORT CONTINUED

The bonus for 2022 is payable in April 2023, as a % of salary is:

Director	Revenue	PBT	Objectives	Total %
Chris Meredith	46%	0%	41%	87%
Eddie Johnson	31%	0%	27%	58%

2023 objectives are commercially sensitive and not detailed in this Report.

2022 bonus payments in respect of 2021 were as follows:

Director	Bonus paid in 2022 (FY 2021)	Deferred	Percentage of salary (total bonus)	Maximum % of salary
Chris Meredith	£150,152	£18,902	48.3%	150%
Eddie Johnson	£45,099	£5,724	24.2%	100%

### Vesting of LTIPs for the year ended 31 December 2022

Details of the LTIP performance conditions for the LTIPs granted on 24 April 2019, which produced a 21.2% vesting result on 24 April 2022, are shown on [page 66](#).

### Directors' interests in the LTIP

On 14 April 2022 the Committee approved LTIP awards as outlined below.

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	3.039	239,552	£727,999	<a href="#">See page 70</a>
Eddie Johnson	Nil-cost option	125% of salary	3.039	89,832	£272,999	<a href="#">See page 70</a>

### Outstanding Share Awards – Maximum under the LTIP

Director	As at 1 January 2022	Exercised in the year	Issued in the year	Lapsed in the year	As at 31 December 2022	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)
	182,510	38,692	–	143,818	–	328.75	24 April 2022 (vested)
	254,812	–	–	–	254,812	239.00	14 April 2023
	238,963	–	–	–	238,963	257.40	23 April 2024
	–	–	239,552	–	239,552	303.90	14 April 2025
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)
	38,783	–	–	30,562	8,221	328.75	24 April 2022 (vested)
	72,197	–	–	–	72,197	239.00	14 April 2023
	67,706	–	–	–	67,706	257.40	23 April 2024
	–	–	89,832	–	89,832	303.90	14 April 2025

Chris Meredith exercised 395,355 LTIPs in 2022 (2021: Nil). Eddie Johnson exercised Nil LTIPs in 2022 (2021: 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 2022 save as disclosed on **page 71**. 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 scales or scope of the role. Fees were increased by 4% in 2022, in line with the workforce.	Non-Executive Directors do not participate in variable pay arrangements and do not receive retirement benefits.

### 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:

	Date of contract	Unexpired term (months) or rolling contract	Notice period (months)
<b>Executive Director</b>			
Chris Meredith	1 July 2005 (updated 1 July 2021)	Rolling contract	12
Eddie Johnson	1 January 2019 (updated 1 July 2021)	Rolling contract	12
<b>Non-Executive Directors</b>			
Peter Allen	4 December 2013	Rolling contract	6
Grahame Cook	1 February 2021	Rolling contract	6
Douglas Le Fort	2 August 2021	Rolling contract	6
Liz Shanahan	1 August 2022	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.

# REMUNERATION COMMITTEE REPORT CONTINUED

No payments were made to past Directors or for loss of office during the year ended 31 December 2022.

Event	Timing of vesting/award	Calculation of vesting/payment
<b>Bonus/DAB</b>		
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 Share Incentive Plan 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.
<b>LTIP</b>		
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, Share Incentive Plan awards will be treated in line with the 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 <sup>1</sup> at 31 December 2021	Beneficially owned <sup>1</sup> at 31 December 2022	Outstanding LTIP awards at 31 December 2022	Outstanding DAB awards at 31 December 2022	Outstanding share awards under SIP at 31 December 2022	Shareholding as a % of issued Share Capital at 31 December 2022
Chris Meredith	1,528,893	1,748,478	733,327	6,219	116,578	0.81%
Eddie Johnson	141,648	157,742	317,696	12,737	56,170	0.07%
Peter Allen	50,000	50,000	–	–	–	–
Grahame Cook	Nil	Nil	–	–	–	–
Douglas Le Fort	Nil	Nil	–	–	–	–
Liz Shanahan <sup>2</sup>	Nil	Nil	–	–	–	–
Penny Freer (retired 8 June 2022)	13,888	–	–	–	–	–

<sup>1</sup> Includes all shares beneficially held by the Executive Director (or their spouse and children) and vested SIPs.

<sup>2</sup> Liz Shanahan holds 4,444 shares through her PCA's at 18 April 2023.

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 2022 is shown below, using the share price at that date:

Director	Shares held*	Vested SIPs	LTIP (50% of vested/unexercised LTIPs)	DAB awards	Total shares	Shareholding target (£)	Shareholding value (£)	% holding vs target
Chris Meredith	1,690,912	61,581	-	6,219	1,758,712	£728,000	£4,625,613	635%
Eddie Johnson	25,732	112,817	43,981	12,737	195,267	£436,800	£513,551	118%

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

### CEO total remuneration

The total remuneration figure for the Chief Executive Officer during each of the last five financial years is shown below.

Total remuneration includes salary, Annual Performance Bonus, gains on SIPs 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	2018	2019	2020	2021	2022
Total remuneration (£'000)	896	770	537	543	832
Annual Performance Bonus (% of maximum)	50.6%	0%	0%	32.2%	57.8%
LTIP vesting (% of maximum)	87.3%	90.3%	73.1%	0%	21.2%

### Relative importance of spend on pay

Year ended 31 December	2021 (£m)	2022 (£m)	Change %
Staff costs	39.7	46.1	16%
Dividends*	3.8	4.3	13%
Tax	4.5	5.5	22%
Profits for year attributable to owners of the Parent	17.5	20.4	17%

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

£1,960,000 (2021: £1,572,000) of staff costs relate to pay for the Directors, of which £1,185,000 relates to the highest paid Director (2021: £965,000). Total pension contributions were £1,497,000 (2021: £1,407,000) and for the highest paid Director £34,000 (2021: £33,000).

During 2022, distributions to shareholders included a dividend of £2,960,000 paid on 17 June 2022 (2021: £2,579,000) and £1,381,000 paid on 21 October 2022 (2021: £1,266,000). It is proposed that a dividend of 1.51p per share be paid on 9 June 2023. Further details are provided in **Note 14** on **page 105**.

### 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 (GSOP). Options granted under the GSOP 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 116 to 121**.

The GSOP allows employees to be granted approved or unapproved options. Under the approved part of the GSOP, 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. This limit increased to £60,000 in April 2023.

### Share performance – 2022

The opening share price for 2022 was 335p and the closing price, on the last trading day of the year, was 263p. The range during the year was 335p (high) and 235p (low) (Source: Daily Official List of the London Stock Exchange).

# DIRECTORS' REPORT

For the year ended 31 December 2022

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 – <b>pages 6 to 47</b>
Results	Financial Statements – <b>pages 79 to 122</b>
Corporate Governance	Corporate Governance Report – <b>pages 52 to 57</b>
Directors' remuneration including Directors' interest in the share capital of the Company	Remuneration Committee Report – <b>pages 65 to 75</b>
Principal Risks and Uncertainties	Principal Risks and Uncertainties – <b>pages 46 to 47</b>
Financial instruments and risk management	Note 24 to the Financial Statements – pages 112 to 114 and in the Strategic Report – <b>pages 43 to 47</b>
Research and development activities	Strategic Report – pages 6 to 47 Financial Review on <b>pages 40 to 42</b>
Shareholder, employee and stakeholder engagement	Stakeholder Engagement Report – <b>pages 24 to 27</b>
Environmental, Social and Governance, Health and Safety and Streamlined Energy and Carbon Reporting (SECR) report	ESG Report – <b>pages 28 to 39</b>
Key Performance Indicators	Key Performance Indicators – <b>pages 18 to 19</b>
Company's capital structure	Consolidated Statement of Changes in Equity – <b>page 90</b> , Financial Statements – <b>Note 27 on page 115</b>
Long Term Incentive Plan and share schemes	Remuneration Report – <b>pages 65 to 75</b>
Events after the balance sheet date	Financial Statements – <b>Note 32 on page 122</b>
Significant subsidiary undertakings	Financial Statements – <b>Note 3 on page 127 to 128</b>
Non-Financial Reporting Statement	<b>Page 23</b>

## Dividends

The Group made a profit before tax for the year to 31 December 2022 of £25.9 million (2021: £22.0 million). The Directors are recommending a final dividend of 1.51p per share (2021: 1.37p per share). The final dividend will, subject to shareholders' approval, be paid on 9 June 2023 to shareholders on the register at the close of business on 19 May 2023. This would make a total dividend of 2.15p for the full year (2021: 1.95p). The Board will continue to review the Group's dividend policy.

## Events after the Reporting Date

Since the date of the balance sheet, the Group has acquired Connexicon Medical Limited, a tissue adhesive technology specialist headquartered in Dublin, strengthening its position in the \$300 million global tissue adhesive market, expanding its product portfolio and significantly enhancing its technical and R&D capabilities in cyanoacrylate technology. Consideration consists of an initial, up-front payment of €7 million with further deferred payments dependent on the delivery of certain research and development, regulatory and commercial milestones between 2023 and 2027.

## Capital Structure

The Group is cash-generative and had net cash of £82.3 million at 31 December 2022 and the potential for significant debt funding with its banks (NatWest and HSBC). 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 115**.

## 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 57** and in the Notes Forming Part of the Financial Statements on **page 92**.

## 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 2023.

### Share Capital and Issue of Ordinary Shares

At 31 March 2023 the Group's issued share capital is set out below:

	Number	£'000	% of issued Share Capital
Ordinary Shares of 5p each	216,930,785	10,847	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 2023, in accordance with the Disclosure and Transparency Rules:

	31 March 2023	% of issued Share Capital
Octopus Investments Limited	27,408,357	12.63
Canaccord Genuity Group Inc	15,266,626	7.04
Charles Stanley Group	11,315,607	5.22
Investec Group	10,754,571	4.96
Blackrock Inc	9,189,954	4.24
Invesco	8,374,461	3.86
Rathbone plc	7,993,503	3.68
Groupama	6,597,623	3.04

### Re-election of Directors

The Chair 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 31 May 2023.

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 our ESG Report on **pages 28 to 39**.

### 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); and
- 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 24 to 27** 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 11.00am on 31 May 2023. 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 Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the International Accounting Standard Regulations and have elected to prepare the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Principles (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

## DIRECTORS' REPORT CONTINUED

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

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

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

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- assess the Group's ability to continue as a Going Concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. The Directors 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 Group's 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**  
18 April 2023



# INDEPENDENT AUDITOR'S REPORT

to the members of Advanced Medical Solutions Group Plc

## Report on the audit of the financial statements

### 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 2022 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 32**; and
- the related Parent Company Financial Statement **notes 1 to 7**.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and 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.

# INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Advanced Medical Solutions Group Plc

## 3. Summary of our audit approach

<b>Key audit matters</b>	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"><li>• Revenue recognition</li><li>• Acquisition accounting</li></ul> <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"><li>ⓘ Newly identified</li><li>⊕ Similar level of risk</li></ul>
<b>Materiality</b>	<p>The materiality that we used for the group financial statements was £1.3m which was determined on the basis of 5% of pre-tax profit.</p>
<b>Scoping</b>	<p>We focused our group audit scope on Advanced Medical Solutions Limited (UK) and Resorba Medical GmbH (Germany) subject to a full scope audit, and Advanced Medical Solutions BV (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 85% of revenue, 91% of profit before tax and 99% of net assets.</p>
<b>Significant changes in our approach</b>	<p>The following changes to our approach occurred this year:</p> <ul style="list-style-type: none"><li>• We no longer consider the carrying value of goodwill to be a key audit matter given the levels of headroom in the impairment test models; and</li><li>• Added the key audit matter of acquisition accounting given the acquisition of AFS Medical GmbH in the year.</li></ul>

## 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:

- obtaining an understanding and corroborating the available, uncommitted, financing facilities including nature of the facilities, repayment terms and covenants;
- linking the assessment and the forecasts to the business model and medium-term risks;
- assessing the reasonableness and appropriateness of the assumptions used in the forecasts;
- corroborating the amount of headroom in the forecasts;
- evaluating the appropriateness of, and headroom within, the sensitivity analysis; and
- assessing the sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and assessing 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.

## 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

<b>Key audit matter description</b>	<p>The Group sells medical devices across a number of geographical regions generating revenue of £124.3 million (2021: £108.6 million).</p> <p>The timing of when revenue is recognised is relevant to the reported performance of the Group. There is a risk of material misstatement due to error or fraud as a result of misstating the allocation of revenue between periods. This timing of revenue recognition, 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 control has not passed.</p> <p>We have specifically focused this key audit matter on cut-off and occurrence of revenue recorded within November and December 2022 and January 2023. We have also considered other one-off material revenue transactions based on our understanding of monthly peaks in sales reported and the associated credit terms with those, and other major, customers.</p> <p>The associated disclosure is included within <b>Note 4</b> to the Financial Statements. For specific detail on the Group's accounting policy, see <b>Note 3</b> to the Financial Statements.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>We obtained an understanding of the relevant controls over the revenue process.</p> <p>We tested a sample of individual sales transactions and traced to despatch notes, including consideration of the specific shipping terms attached to the sale, and subsequent cash receipt or other supporting documents.</p> <p>We performed a detailed analysis of revenue trends within each business unit including:</p> <ul style="list-style-type: none"> <li>• inquiry of management and obtaining evidence of management reviews of actual revenue to budget; and</li> <li>• 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.</li> </ul> <p>To evaluate cut off and occurrence of revenue within the risk period:</p> <ul style="list-style-type: none"> <li>• 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 record to confirm timing and occurrence of the transaction;</li> <li>• we reviewed material journal amounts to revenue within the current year risk period and assessed reasonableness;</li> <li>• we interrogated revenue transactions outside non standard shipping revenue streams;</li> <li>• we interrogated and analysed any credit notes post year end which may contradict occurrence of revenue; and</li> <li>• we analysed the receivables ledgers at year end and post year end to identify and interrogate any material overdue debts.</li> </ul>
<b>Key observations</b>	<p>Based on the work performed we concluded that revenue has been recognised appropriately.</p>

# INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Advanced Medical Solutions Group Plc

## 5.2. Acquisition accounting

<b>Key audit matter description</b>	<p>During the year, the Group acquired the entire issued share capital of AFS Medical GMBH. Accounting for acquisitions under IFRS 3 Business Combinations is complex as management are required to separately identify and value the intangible assets acquired. This involves a high level of estimation uncertainty, particularly with regards to valuation model inputs such as forecast cash flows and discount rates, hence management engaged a third party expert to support. The acquisition resulted in £3.9m of separately identifiable intangible assets and £1.5m of goodwill.</p> <p>The associated disclosure is included within <b>Note 31</b> to the Financial Statements. For specific detail on the Group's accounting policy, see Strategic Report on <b>page 11</b> and <b>Note 3</b> to the Financial Statements.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>We obtained an understanding of the relevant controls over acquisition accounting.</p> <p>We reviewed the sale and purchase agreement, other transactional documentation and third party purchase price allocation reports to evaluate the goodwill and intangible assets recognised and to corroborate the consideration paid.</p> <p>With the involvement of internal specialists, we evaluated the valuation techniques and the reasonableness of assumptions applied and challenged the appropriateness of the discount rate and valuation model used. Together with our specialists we assessed the reasonableness of valuation assumptions such as discount rate, long-term growth rate and valuation multiples.</p> <p>We challenged the discount rates used by independently setting expectations based on various competitors to the Group and third party information available, such as beta values, risk-free rates and cost of debt and premiums based on the size of the acquisition or the risk profile of the entity.</p> <p>We have evaluated the competence, capabilities and objectivity of the third party expert engaged.</p> <p>We have evaluated whether the policies and disclosures for acquisition accounting within the Financial Statements are consistent with the principles of IFRS 3 Business Combinations and have been applied appropriately.</p>
<b>Key observations</b>	<p>Based on the work performed we are satisfied that the intangible assets and goodwill generated on acquisition have been valued appropriately. The assumptions around the growth rate, discount rate and cash flow forecasts are reasonable.</p>

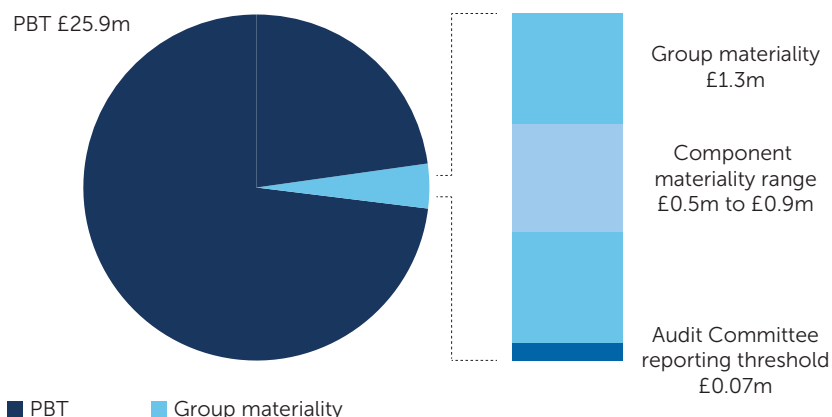
## 6. Our application of materiality

### 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
<b>Materiality</b>	£1.3m (2021: £1.0m)	£0.8m (2021: £0.6m)
<b>Basis for determining materiality</b>	5% of pre-tax profit	Parent company materiality is based on 2% of the company's net assets, however this was capped at 90% of Group performance materiality (2021: 90% of Group materiality).
<b>Rationale for the benchmark applied</b>	Profit before tax is determined to be the most relevant performance measure to the users of the Financial Statements	As a non-trading parent company, net assets is the key driver of the company. We have opted to cap parent company materiality at 90% of the Group performance materiality, 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
<b>Performance materiality</b>	70% (2021: 70%) of group materiality	100% (2021: 100%) of parent company materiality
<b>Basis and rationale for determining performance materiality</b>	In determining performance materiality, we considered the following factors: <ul style="list-style-type: none"> <li>the quality of the control environment; and</li> <li>our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.</li> </ul>	

### 6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.07m (2021: £0.06m), 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 Advanced Medical Solutions Limited (UK) and Resorba Medical GmbH (Germany) subject to a full scope audit, and Advanced Medical Solutions BV (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 85% of revenue, 91% of profit before tax and 99% of 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 £0.5 million to £0.9 million (2021: £0.4 million to £0.6 million).

### 7.2. Our consideration of the control environment

We involved our IT specialists to gain an understanding of the IT environment and general IT controls. In assessing the IT environment, we identified deficiencies in general IT controls which resulted in no controls reliance being taken. Whilst our risk assessment and design of further audit procedures took into account our assessment of the control environment, the audit we performed was fully substantive. We have reported the identified control deficiencies to management and the Audit Committee. We understand that management intends to remediate the deficiencies as they develop the IT environment, as referenced in the Audit Committee Report. on **page 64**.

# INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Advanced Medical Solutions Group Plc

## 7.3. 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.

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. 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.

## 7.4. 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 visited the component audit team during the planning phase, virtually attended the close meeting and reviewed their documentation of the findings from their work virtually.

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

## 8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

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

We have nothing to report in this regard.

## 9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## 10. Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://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, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including, valuations and IT regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud within revenue recognition due to possible pressures to meet stakeholder expectations that could provide incentives to record revenues where performance obligations have not been satisfied.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

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

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

### 11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to this key audit matter.

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.

# INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Advanced Medical Solutions Group Plc

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.

**Christopher Aylott (Senior statutory auditor)**

**For and on behalf of Deloitte LLP**

Statutory Auditor  
Cambridge

18 April 2023



## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
<b>Revenue</b>	4	124,330	108,601
Cost of sales		(50,914)	(47,531)
<b>Gross profit</b>		73,416	61,070
Distribution costs		(1,626)	(1,483)
Administration costs		(47,378)	(36,970)
Other income		478	381
<b>Operating profit</b>	4, 5	24,890	22,998
Finance income	11	1,691	84
Finance costs	12	(671)	(1,098)
<b>Profit before taxation</b>		25,910	21,984
Income tax	13	(5,504)	(4,503)
<b>Profit for the year attributable to equity holders of the parent</b>		20,406	17,481
<b>Earnings per share</b>			
Basic	15	9.42p	8.11p
Diluted	15	9.30p	8.01p

The above results relate to continuing operations.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Profit for the year			
<i>Items that will potentially be reclassified subsequently to profit and loss:</i>		20,406	17,481
Exchange differences on translation of foreign operations		6,940	(5,194)
Loss arising on cash flow hedges	24	(1,297)	(1,548)
Deferred tax (charge)/gain arising on cash flow hedges	18	(201)	290
Other comprehensive income/(expense) for the year		5,442	(6,452)
Total other comprehensive income for the year		25,848	11,029

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022 £'000	2021 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	16	48,373	40,958
Goodwill	19	70,859	66,032
Property, plant and equipment	17	29,015	27,441
Trade and other receivables	21	937	105
		149,184	134,536
<b>Current assets</b>			
Inventories	20	27,911	19,300
Trade and other receivables	21	21,553	21,016
Current tax assets		184	1,692
Cash and cash equivalents	22	82,262	72,965
		131,910	114,973
<b>Total assets</b>		<b>281,094</b>	<b>249,509</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	23	20,671	14,958
Current tax liabilities		948	897
Lease liability	23	1,059	1,153
		22,678	17,008
<b>Non-current liabilities</b>			
Trade and other payables	23	3,510	3,679
Deferred tax liabilities	18	9,593	7,438
Lease liability	23	8,691	8,707
		21,794	19,824
<b>Total liabilities</b>		<b>44,472</b>	<b>36,832</b>
<b>Net assets</b>		<b>236,622</b>	<b>212,677</b>
<b>Equity</b>			
Share capital	27	10,843	10,804
Share premium		37,269	36,996
Share-based payments reserve		15,711	13,180
Investment in own shares	28	(167)	(164)
Share-based payments deferred tax reserve		531	933
Other reserve	28	1,531	1,531
Hedging reserve	28	(1,519)	(21)
Translation reserve	28	5,004	(1,936)
Retained earnings		167,419	151,354
<b>Equity attributable to equity holders of the parent</b>		<b>236,622</b>	<b>212,677</b>

The financial statements of Advanced Medical Solutions Group plc (registration number 2867684) on **pages 89 to 122** were approved by the Board of Directors and authorised for issue on 18 April 2023 and were signed on its behalf by:

**Chris Meredith**  
Chief Executive Officer

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Group

	Share capital £'000	Share premium £'000	Share-based payments £'000	Investment in own shares £'000	Share-based payments deferred tax £'000	Other reserve £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 January 2021</b>	10,769	36,288	11,142	(162)	430	1,531	1,237	3,258	137,718	202,211
Consolidated profit for the year to 31 January 2021	–	–	–	–	–	–	–	–	17,481	17,481
Other comprehensive expense	–	–	–	–	–	–	(1,258)	(5,194)	–	(6,452)
Total comprehensive (expense)/income	–	–	–	–	–	–	(1,258)	(5,194)	17,481	11,029
Share-based payments (Note 29)	–	–	1,979	–	503	–	–	–	–	2,482
Share options exercised (Note 29)	35	708	59	–	–	–	–	–	–	802
Shares purchased by EBT	–	–	–	(366)	–	–	–	–	–	(366)
Shares sold by EBT	–	–	–	364	–	–	–	–	–	364
Dividends paid (Note 14)	–	–	–	–	–	–	–	–	(3,845)	(3,845)
<b>At 31 December 2021</b>	10,804	36,996	13,180	(164)	933	1,531	(21)	(1,936)	151,354	212,677
Consolidated profit for the year to 31 December 2022	–	–	–	–	–	–	–	–	20,406	20,406
Other comprehensive (expense)/income	–	–	–	–	–	–	(1,498)	6,940	–	5,442
Total comprehensive (expense)/income	–	–	–	–	–	–	(1,498)	6,940	20,406	25,848
Share-based payments (Note 29)	–	–	2,439	–	(402)	–	–	–	–	2,037
Share options exercised (Note 29)	39	273	92	–	–	–	–	–	–	404
Shares purchased by EBT	–	–	–	(392)	–	–	–	–	–	(392)
Shares sold by EBT	–	–	–	389	–	–	–	–	–	389
Dividends paid (Note 14)	–	–	–	–	–	–	–	–	(4,341)	(4,341)
<b>At 31 December 2022</b>	10,843	37,269	15,711	(167)	531	1,531	(1,519)	5,004	167,419	236,622

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
<b>Cash flows from operating activities</b>			
Operating profit		24,890	22,998
<i>Adjustments for:</i>			
Depreciation	17	4,049	3,893
Amortisation – intellectual property rights	16	3,414	3,179
– software intangibles	16	502	529
– development costs	16	879	1,247
(Increase)/decrease in inventories		(7,087)	941
Increase in trade and other receivables		(596)	(1,769)
Increase in trade and other payables		1,711	2,105
Share-based payments expense	29	2,439	1,979
Taxation paid		(3,324)	(4,077)
<b>Net cash inflow from operating activities</b>		<b>26,877</b>	<b>31,025</b>
<b>Cash flows from investing activities</b>			
Purchase of software		(73)	(254)
Capitalised research and development		(6,152)	(4,441)
Purchases of property, plant and equipment		(3,739)	(1,768)
Disposal of property, plant and equipment		46	53
Interest received		820	84
Acquisition of subsidiaries (net of cash acquired)	31	(2,781)	–
<b>Net cash used in investing activities</b>		<b>(11,879)</b>	<b>(6,326)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(4,341)	(3,845)
Repayment of principal under lease liabilities		(1,295)	(1,281)
Repayment of borrowings		(331)	–
Issue of equity shares		266	723
Shares purchased by EBT		(392)	(366)
Shares sold by EBT		389	364
Interest paid		(617)	(700)
<b>Net cash used in financing activities</b>		<b>(6,321)</b>	<b>(5,105)</b>
<b>Net increase in cash and cash equivalents</b>		<b>8,677</b>	<b>19,594</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>72,965</b>	<b>53,829</b>
<b>Effect of foreign exchange rate changes</b>		<b>620</b>	<b>(458)</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>82,262</b>	<b>72,965</b>

# 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 2022 comprise the Company and its subsidiaries (together referred to as the 'Group').

The Group is a world-leading independent developer and manufacturer of innovative tissue-healing technology, focused on quality outcomes for patients and value for payers. The Group 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 woundcare dressings such as silver alginates, alginates and foams through its ActivHeal® brand as well as under white-label. Since 2019, the Group has made four 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, Raleigh, a UK leading coater and converter of materials predominately for woundcare and biondiagnostics products and AFS Medical, an Austrian-based specialist surgical business with a focus on minimally invasive procedures.

The Group's products, manufactured in the UK, Germany, France, the Netherlands, the Czech Republic and Israel, are sold globally via a network of multinational or regional partners and distributors, as well as via the Group's own direct sales forces in the UK, Germany, Austria, the Czech Republic and Russia. The Group has R&D innovation hubs in the UK, Germany, France and Israel. Established in 1991, the Group has more than 700 employees.

## 2 Basis of preparation

The Group's 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:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS37)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Annual Improvements to IFRS Standards 2018–2020 (Amendments to IFRS1, IFRS9, IFRS16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS3)

### Going Concern

In carrying out their duties in respect of going concern, the Directors have carried out a review of the Group's financial position and cash flow forecasts for a period of 12 months from the date of signing the accounts. These have been based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the current economic environment. Sensitivity analysis has been prepared to stress test forecasts and the Directors are confident the business is a going concern given the significant headroom available.

With regards to the Group's financial position, it had cash and cash equivalents at the year-end of £82.3 million.

While the current economic environment is very uncertain, with inflationary pressure and rising interest rates, the Group operates in markets whose demographics are favourable, underpinned by an increasing need for products to treat chronic and acute wounds. Consequently, market growth is predicted. The Group has a 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. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

### 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 source of estimation uncertainty and two critical accounting judgement has been identified that could potentially have a material adjustment to the carrying amounts of assets and liabilities in future financial years.

#### Capitalisation 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 which requires judgment. The recoverable amount is determined based on a value-in-use calculation at a product category level which involves the use of critical accounting judgments. Judgments may involve an estimation of future costs to complete the asset as well as future sales, cost of sales and an allocation of operating costs. A discount rate is applied reflecting the time value of money.

#### Valuation of assets acquired on acquisition

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

#### 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 offset 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.

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 3 Accounting policies continued

Occasionally, the products are sold with volume discounts based on aggregate sales over a 12 month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience and customer-provided forecasts are 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 2022, £6.6 million (2021: £4.7 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.

### 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**). The Directors consider that this presentation gives a fairer presentation of the results of the Group. No exceptional costs were incurred during the year (2021: £nil).

### 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.

### 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.

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 3 Accounting policies continued

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 15 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, usually not exceeding 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 unless there is commercial evidence demonstrating that this will not be a materially appropriate allocation, in which case amortisation is allocated based on a five year revenue forecast to ensure the expense is allocated against the benefit arising from the asset.

#### 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 can be up to five years and is deemed to be the useful economic life. Clinical and regulatory data supporting the certification are amortised over ten years reflecting the estimated useful economic life.

#### 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 land – Not depreciated
- 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.

#### Impairment of tangible and intangible assets excluding goodwill

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

#### Calculation of recoverable amount

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

#### Reversal of impairment

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

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

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

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 3 Accounting policies continued 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.

An allowance for expected credit losses is recognised for expected lifetime credit losses that result from the failure or inability of customers to make required payments. It is not necessary for a credit event to have occurred before credit losses are recognised. Instead, the Group accounts for expected lifetime credit losses and changes in those expected lifetime credit losses. In determining the allowance, consideration includes the probability of recoverability based on past experience, general economic factors and adjustments for specific customers whose specific circumstances indicate a higher or lower risk of default. The amount of expected credit losses, if any, are required to be updated at each reporting date.

#### De-recognition of financial assets

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

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the Income Statement. In addition, on 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 (administrative costs) immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Income Statement depends on the nature of the hedge relationship. The Group currently designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges). A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Derivatives with remaining maturity of less than 12 months are presented as current assets or current liabilities.

### Leased assets

For all 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 12 months or less and leases of low-value assets are recognised as an expense in the Income Statement on a straight-line basis.

### Pensions

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

### Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value, as determined at the grant date of equity-settled share-based payments, is expensed on a straight-line basis over the vesting period, based on the Group's estimate of options that will eventually vest. At each Statement of Financial Position date the Group revises its estimate of the number expected to vest as a result of the effect of non-market based vesting conditions. The impact, if any, is recognised in the Income Statement with a corresponding adjustment to reserves.

Fair value is measured by use of a Black-Scholes Merton or Monte Carlo model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

### Capital management

For the year ended 31 December 2022, the Group had net funds with no borrowings (2021: 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.

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 3 Accounting policies continued

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, amendments and interpretations have been published that are not mandatory for 31 December 2022 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.

## 4 Segment information

During the year ended 31 December 2022, the Group continued to operate under two business units. The Surgical Unit focused on selling, marketing, research, development and innovation of all our surgical products and the Woundcare Unit 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's brand name.

Year ended 31 December 2022	Surgical £'000	Woundcare £'000	Consolidated £'000
<b>Revenue</b>	74,861	49,469	124,330
<b>Result</b>			
Adjusted segment operating profit	21,802	7,632	29,434
Amortisation of acquired intangibles	(2,469)	(945)	(3,414)
Segment operating profit	19,333	6,687	26,020
Unallocated expenses			(1,130)
Operating profit			24,890
Finance income			1,691
Finance costs			(671)
Profit before tax			25,910
Tax			(5,504)
Profit for the year			20,406

Year ended 31 December 2022 Other information	Surgical £'000	Woundcare £'000	Consolidated £'000
Capital additions:			
Software intangibles	34	39	73
Research & development	4,617	1,535	6,152
Property, plant and equipment	2,258	1,481	3,739
Depreciation and amortisation	(5,759)	(3,085)	(8,844)
<b>At 31 December 2022</b>			
<b>Statement of Financial Position</b>			
<b>Assets</b>			
Segment assets	190,456	90,638	281,094
Unallocated assets			-
Consolidated total assets			281,094
<b>Liabilities</b>			
Segment liabilities	29,786	14,686	44,472

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)
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 Other information	Surgical £'000	Woundcare £'000	Consolidated £'000
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)
<b>At 31 December 2021</b>			
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

### Geographical segments

The Group operates in the UK, Germany, the Netherlands, France, the Czech Republic and Israel with sales offices in Russia and Austria 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	2022 £'000	2021 £'000
United Kingdom	19,960	18,454
Germany	20,780	20,863
Rest of Europe	32,519	22,913
United States of America	40,807	36,712
Rest of World	10,264	9,659
	124,330	108,601

# 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:

At 31 December	2022 £'000	2021 £'000
United Kingdom	151,817	142,056
Germany	78,877	67,389
France	11,934	9,674
Rest of Europe	16,670	7,853
United States of America	451	1,984
Israel	21,345	20,553
	<b>281,094</b>	<b>249,509</b>

## 5 Profit from operations

Year ended 31 December	2022 £'000	2021 £'000
Profit from operations is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	4,049	3,893
Amortisation of:		
– acquired intellectual property rights and other intangible assets	3,414	3,179
– software intangibles	502	529
– development costs	879	1,247
Research and development costs expensed excluding regulatory costs	4,323	3,841
Cost of inventories recognised as expense	50,663	47,530
Write-down of inventories expensed	251	1
Staff costs	46,065	39,691
Net foreign exchange loss/(gain)	1,683	(2,017)

## 6 Exceptional items

During 2022, no costs have been incurred which are deemed to be exceptional in nature (2021: £nil). Whilst no exceptional items have been incurred in the current or prior year, the Group treats exceptional items as a profit adjusted item when calculating alternative performance measures.

## 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	2022 £'000	2021 £'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	276	217
<b>Total audit fees</b>	<b>299</b>	<b>240</b>
Audit related assurance services	34	32
<b>Total non-audit fees</b>	<b>34</b>	<b>32</b>
	<b>333</b>	<b>272</b>

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	2022 Number	2021 Number
Production	401	396
Research and development	78	66
Sales and marketing	146	129
Administration	144	128
	<b>769</b>	<b>719</b>

Year ended 31 December	2022 £'000	2021 £'000
Staff costs for all employees, including Executive Directors, consists of:		
Wages and salaries	37,131	31,903
Social Security costs	4,998	4,402
Pension costs	1,497	1,407
Share-based payments (see Note 29)	2,439	1,979
	<b>46,065</b>	<b>39,691</b>

## 9 Directors' emoluments

Year ended 31 December	2022 £'000	2021 £'000
Remuneration for management services	1,217	958
Pension costs	56	52
Share-based payments	687	562
	<b>1,960</b>	<b>1,572</b>

The Group's highest paid Director is disclosed in the Remuneration Report on **page 71**.

Retirement benefits are accruing to the following number of Directors under money purchase schemes	<b>2</b>	<b>2</b>
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## 10 Remuneration of Key Management Personnel

The key management of the Group comprises the Directors of the Group together with senior members of the management team. Their aggregate compensation is shown below:

Year ended 31 December	2022 £'000	2021 £'000
Salaries, fees and short-term employee benefits	2,427	2,040
Pension costs	112	106
Share-based payments	1,101	891
	<b>3,640</b>	<b>3,037</b>

## 11 Finance income

Year ended 31 December	2022 £'000	2021 £'000
Movement in Long-term liability credit	872	–
Bank interest	819	84
	<b>1,691</b>	<b>84</b>

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 12 Finance costs

Year ended 31 December	2022 £'000	2021 £'000
Amortisation of facility fees	272	299
Finance lease interest	327	352
Other interest	39	21
Movement in long-term acquisition liability expense	33	426
	<b>671</b>	<b>1,098</b>

The long-term liability credit and long-term liability expense relate to movements in the long-term liabilities arising on the acquisition of Sealantis in 2019 and AFS in 2022. 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	2022 £'000	2021 £'000
Current tax:		
Tax on ordinary activities – current year	5,655	4,936
Tax on ordinary activities – prior year	6	(323)
	<b>5,661</b>	<b>4,613</b>
Deferred tax:		
Tax on ordinary activities – current year	(84)	(490)
Tax on ordinary activities – prior year	(73)	(190)
Effect of increase in UK corporation tax rate	–	570
	<b>(157)</b>	<b>(110)</b>
Tax charge for the year	<b>5,504</b>	<b>4,503</b>

### 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 Group has applied the appropriate rate to the Deferred Tax Liability, measured using the tax rates that are expected to apply when the liability is settled or the asset realised based on the tax rates that have been enacted or substantively enacted by the balance sheet date.

The tax assessed for the year is lower (2021: lower) than the weighted average Group tax rate of 22.8% (2021: 23.0%) as explained below:

Year ended 31 December	2022 £'000	2021 £'000
Profit before taxation	25,910	21,984
Weighted average Group tax rate 22.8% (2021: 23.0%)	5,911	5,053
Effects of:		
Expenses not deductible for tax purposes and other timing differences	243	7
Utilisation and recognition of trading losses	(269)	–
Patent Box Relief	(554)	(652)
Net impact of deferred tax on capitalised development costs and R&D relief	32	(123)
Share-based payments	208	161
Adjustments in respect of prior year – current tax	6	(323)
Adjustments in respect of prior year and rate changes – deferred tax	(73)	380
Taxation	<b>5,504</b>	<b>4,503</b>

### 13 Taxation continued

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 £0.4 million surplus: (2021: £0.5 million deficit).

### 14 Dividends

Amounts recognised as distributions to equity holders in the period:

Year ended 31 December	2022 £'000	2021 £'000
Final dividend for the year ended 31 December 2021 of 1.37p (2020: 1.20p) per Ordinary Share	2,960	2,579
Interim dividend for the year ended 31 December 2022 of 0.64p (2021: 0.58p) per Ordinary Share	1,381	1,266
	4,341	3,845
Proposed final dividend for the year ended 31 December 2022 of 1.51p (2021: 1.37p) per Ordinary Share	3,275	2,960

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	2022 000 Number of shares	2021 000 Number of shares
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	216,512	215,677
Effect of dilutive potential Ordinary Shares: share options, Share Incentive Plan and LTIPs	2,969	2,635
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	219,481	218,312

	£'000	£'000
Profit for the year attributable to equity holders of the parent	20,406	17,481
Amortisation of acquired intangible assets	3,414	3,179
Long term liability (credit)/expense	(840)	426
Adjusted profit for the year attributable to equity holders of the parent	22,980	21,086

Earnings per share	Pence	Pence
Basic	9.42	8.11
Diluted	9.30	8.01
Adjusted basic	10.61	9.78
Adjusted diluted	10.47	9.66

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 16 Intangible assets

2022	Acquired intellectual property rights £'000	Other intangible assets £'000	Software intangibles £'000	Development and recertification Costs £'000	Total £'000
<b>Cost</b>					
At beginning of year	13,021	26,015	5,740	15,514	60,290
On acquisition	–	3,948	–	–	3,948
Additions	–	–	73	6,152	6,225
Disposals	–	–	(8)	–	(8)
Exchange differences	566	2,066	70	188	2,890
At end of year	13,587	32,029	5,875	21,854	73,345
<b>Amortisation</b>					
At beginning of year	3,903	6,759	3,633	5,037	19,332
Charged in the year	80	3,334	502	879	4,795
Disposals	–	–	(8)	–	(8)
Exchange differences	81	634	59	79	853
At end of year	4,064	10,727	4,186	5,995	24,972
<b>Net book value</b>					
<b>At 31 December 2022</b>	<b>9,523</b>	<b>21,302</b>	<b>1,689</b>	<b>15,859</b>	<b>48,373</b>
At 31 December 2021	9,118	19,256	2,107	10,477	40,958

Acquired intellectual property rights were initially recognised on the acquisition of MedLogic Global Limited representing patents and on the acquisition of RESORBA® representing brand names, know-how and customer listings and contracts. Other intangible assets were recognised on the acquisition of Sealantis Limited and represent technological based know-how, on the acquisition of Biomatlante S.A. which represent technological based know-how, patents and customer listings and on the acquisition of Raleigh Adhesive Coatings Limited in 2020 relate to technological based know-how and customer listings arising on the acquisition of Raleigh Coatings.

Other intellectual property rights on acquisition in 2022 relate to customer and marketing-related intangible assets arising on the acquisition of AFS.

Intangible assets are amortised on a straight-line basis and the amortisation is recognised within administration costs, the largest intangible asset being the RESORBA® brand name. The RESORBA® brand name has a carrying value of £9.2 million 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.

## 16 Intangible assets continued

2021	Acquired intellectual property rights £'000	Other intangible assets £'000	Software intangibles £'000	Development costs £'000	Total £'000
<b>Cost</b>					
At beginning of year	13,748	26,044	5,629	11,202	56,623
On acquisition	–	–	–	–	–
Additions	–	–	254	4,441	4,695
Disposals/impairment	–	–	(36)	–	(36)
Exchange differences	(727)	(29)	(107)	(129)	(992)
At end of year	13,021	26,015	5,740	15,514	60,290
<b>Amortisation</b>					
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/impairment	–	–	(36)	–	(36)
Exchange differences	96	23	(52)	(44)	(169)
At end of year	3,903	6,759	3,633	5,037	19,332
<b>Net book value</b>					
<b>At 31 December 2021</b>	9,118	19,256	2,107	10,477	40,958
At 31 December 2020	9,879	22,357	2,437	7,368	42,041

## 17 Property, plant and equipment

2022	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
<b>Cost</b>							
At beginning of year	5,815	14,489	182	33,701	1,027	434	55,648
On acquisition	–	225	–	17	–	–	242
Additions	1,330	1,212	2	2,270	119	18	4,951
Disposals	(5)	(955)	–	(316)	(9)	(51)	(1,336)
Exchange adjustment	214	130	4	382	23	18	771
At end of year	7,354	15,101	188	36,054	1,160	419	60,276
<b>Depreciation</b>							
At beginning of year	1,381	5,291	20	20,518	784	213	28,207
Provided for the year	173	1,412	15	2,344	87	18	4,049
Disposals	(5)	(955)	–	(288)	(9)	(43)	(1,300)
Exchange adjustment	104	48	–	118	19	16	305
At end of year	1,653	5,796	35	22,692	881	204	31,261
<b>Net book value</b>							
<b>At 31 December 2022</b>	5,701	9,305	153	13,362	279	215	29,015
At 31 December 2021	4,434	9,198	162	13,183	243	221	27,441

Freehold land which has a carrying value of £1.3 million is not depreciated (2021: £1.3 million)

At 31 December 2022, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £0.4 million (2021: £0.4 million).

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 17 Property, plant and equipment continued

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
On acquisition	–	–	–	–	–	–	–
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

## 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 1 January 2021	1,043	(932)	(7,096)	(1,255)	(296)	(8,536)
Credit/(charge) to income	616	(109)	233	(636)	296	400
Credit to equity	503	–	–	–	–	503
Exchange adjustment	–	–	195	–	–	195
Acquisition of subsidiary	–	–	–	–	–	–
At 31 December 2021	2,162	(1,041)	(6,668)	(1,891)	–	(7,438)
Credit/(charge) to income	(267)	192	638	(726)	6	(157)
Charge to equity	(402)	–	–	–	(201)	(603)
Exchange adjustment	–	–	(409)	–	–	(409)
Acquisition of subsidiary	–	–	(986)	–	–	(986)
<b>At 31 December 2022</b>	<b>1,493</b>	<b>(849)</b>	<b>(7,425)</b>	<b>(2,617)</b>	<b>(195)</b>	<b>(9,593)</b>

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:

	2022 £'000	2021 £'000
Deferred tax liabilities	(9,593)	(7,438)

At the Statement of Financial Position date, the Group has approximately £18.0 million of unused tax losses (2021: £12.3 million), relating to tax losses in Israel, France and Austria 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

	2022 £'000	2021 £'000
<b>Cost</b>		
At 1 January	66,032	68,911
Acquisitions	1,452	–
Exchange differences	3,375	(2,879)
At 31 December	70,859	66,032

The Group has two cash generating units ('CGU') whereby goodwill has been allocated (2021: two) and reports CGUs on the same basis as the Group's reportable segments (See note 4).

Following the acquisition of AFS in the year they have been deemed to be sufficiently integrated into the Surgical CGU. See note 31 for details of assets arising on acquisition.

Goodwill in the Surgical CGU also 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 in management's impairment test:

At 31 December 2022	Discount rate	Long-term growth rate	Goodwill £'000	Intangible assets with indefinite useful life £'000	Carrying value £'000
Surgical CGU	12.6%	2.0%	54,864	9,198	64,062
Woundcare CGU	12.6%	2.0%	15,995	–	15,995
Consolidated			70,859	9,198	80,057

At 31 December 2021	Discount rate	Long-term growth 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

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 CGU 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 CGU 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 growth rate. A discount rate of 12.6% per annum (2021: 10.0%), 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 Group has conducted a sensitivity analysis on the impairment tests of both CGU's. The changes required 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

## 20 Inventories

At 31 December	2022 £'000	2021 £'000
Raw materials	11,544	7,859
Work in progress	6,772	4,969
Finished goods	9,595	6,472
	27,911	19,300

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 (2021: £nil) carried at net realisable value.

At 31 December	2022 £'000	2021 £'000
Total gross inventories	30,704	21,602
Inventory provision	(2,793)	(2,302)
Net inventory	27,911	19,300

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

At 31 December	2022 £'000	2021 £'000
<b>Current assets</b>		
Trade receivables	17,709	17,515
Other receivables	2,501	1,688
Prepayments and accrued income	1,343	1,813
	21,553	21,016
<b>Non-current assets</b>		
Derivative financial instruments	865	25
Prepayments and accrued income	72	80
	937	105
	2022 £'000	2021 £'000
Amount receivable for the sale of goods	17,984	17,740
Loss allowance	(275)	(225)
Net trade receivables	17,709	17,515

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 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.



## 21 Trade and other receivables *continued*

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 other receivables and accrued income. The carrying amount and ageing of these debtors is summarised below:

### Ageing of overdue but not impaired receivables

	2022 £'000	2021 £'000
31 to 60 days overdue	1,367	1,821
61 to 90 days overdue	202	218
> 90 days overdue	166	7
<b>Total</b>	<b>1,735</b>	<b>2,046</b>

### Movement in loss allowance for trade receivables

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Balance at the beginning of the year	225	196
Impairment losses recognised	218	146
Amounts written off as uncollectible	(55)	(40)
Amounts recovered during the year	(113)	(77)
<b>Balance at the end of the year</b>	<b>275</b>	<b>225</b>

### Analysis of customers

In the year ended 31 December 2022, no customer accounted for more than 10% of the Group's revenue (2021: no customer with more than 10% revenue).

## 22 Cash and cash equivalents

	2022 £'000	2021 £'000
Cash held at banks	82,262	72,965

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

	2022 £'000	2021 £'000
<b>Current liabilities</b>		
Trade payables	6,416	4,878
Other payables	5,359	3,623
Derivative financial instruments	2,183	46
Lease liabilities	1,059	1,153
Accruals and deferred income	6,713	6,411
	<b>21,730</b>	<b>16,111</b>
<b>Non-current liabilities</b>		
Other payables	3,510	3,679
Lease liabilities	8,691	8,707
	<b>12,201</b>	<b>12,386</b>

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

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 23 Trade and other payables continued

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	
	2022 £'000	2021 £'000
<b>Financial assets</b>		
Trade and other receivables	20,210	19,203
Cash and cash equivalents	82,262	72,965
Derivative instruments in designated hedge accounting relationships	865	25
<b>Financial liabilities</b>		
Derivative instruments in designated hedge accounting relationships	2,183	46
Financial liabilities measured at amortised cost	21,998	18,591
Lease liabilities	9,750	9,860

Within financial liabilities measured at amortised cost are liabilities which arose on the acquisition of Sealantis in 2019 and relate to contingent consideration as well as 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 9.4% 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 a percentage of future sales of existing products in development. The liability is calculated based on the net present value of future sales projections with a 9.4% 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 9.4% discount rate applied on the basis that the liability does not expire until the liability is settled.

Contingent consideration arose on the acquisition of AFS in respect of up to €1.5 million which is payable subject to EBITDA delivery in 2022-2024.

The change in the valuation of the liabilities occur as the liabilities unwind and sales projections are updated. The movements in the liabilities are recognised in finance income or costs (see **Note 12**).

The Group's undrawn multi-currency facility with NatWest Bank PLC and HSBC UK Bank PLC expired in December 2022 and has not been renewed.

The Risk Management section on **pages 43 to 47** provides an explanation of the financial risks faced by the Group and the objectives and policies for managing those risks including hedging practices adopted. The information below deals with the financial assets and liabilities.

## 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:

	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
<b>At 31 December 2022</b>					
Trade and other payables	18,488	449	1,262	1,799	21,998
Lease liabilities	1,059	1,207	3,018	4,466	9,750
Financial derivatives	2,183	–	–	–	2,183
<b>At 31 December 2022</b>	<b>21,730</b>	<b>1,656</b>	<b>4,280</b>	<b>6,265</b>	<b>33,931</b>
	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
<b>At 31 December 2021</b>					
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
<b>At 31 December 2021</b>	<b>16,104</b>	<b>1,041</b>	<b>3,681</b>	<b>7,671</b>	<b>28,497</b>

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 £6.5 million (2021: £7.0 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 (2021: £1.8 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.

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

#### Cash and cash equivalents

	Floating £'000	Non-interest bearing £'000	Total £'000
<b>Currency</b>			
Sterling	56,819	14,687	71,506
US Dollar	989	3,902	4,891
Euro	5,040	731	5,771
Israeli Shekel	–	94	94
<b>At 31 December 2022</b>	<b>62,848</b>	<b>19,414</b>	<b>82,262</b>
	Floating £'000	Non-interest bearing £'000	Total £'000
<b>Currency</b>			
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
<b>At 31 December 2021</b>	<b>49,004</b>	<b>23,961</b>	<b>72,965</b>

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 24 Financial instruments continued

### 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:

	2022 £'000	2021 £'000
Sterling	5,983	7,130
US Dollar	7,776	7,966
Euro	6,405	4,037
Israeli Shekel	46	70
	20,210	19,203

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 18 months.

### Risk sensitivity

The Group estimates that a 10% movement in the £:US\$ or £:Euro exchange rate would have impacted 2022 Sterling revenues by approximately 3.1% and 3.0% respectively and in the absence of any hedging this would have had an impact on profit margin percentage of 2.5% and 0.3%.

### Forward foreign exchange contracts

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

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

Outstanding contracts	Average contract rate		Foreign currency		Fair value	
	2022 USD:£1	2021 USD:£1	2022 USD '000	2021 USD '000	2022 £'000	2021 £'000
<b>Cash flow hedges</b>						
Sell US dollars						
Less than 3 months	1.28	1.32	11,500	10,000	(540)	152
3 to 6 months	1.31	1.38	9,000	7,000	(550)	(114)
7 to 12 months	1.30	1.36	18,500	19,000	(1,040)	(184)
Over 12 months	1.15	1.34	22,500	7,500	890	14
			61,500	43,500	(1,240)	(132)

Outstanding contracts	Average contract rate		Foreign currency		Fair value	
	2022 EUR:£1	2021 EUR:£1	2022 EUR '000	2021 EUR '000	2022 £'000	2021 £'000
Sell Euros						
Less than 3 months	1.14	1.11	600	700	(9)	43
3 to 6 months	1.15	1.15	600	900	(15)	24
7 to 12 months	1.15	1.15	1,200	1,800	(29)	32
Over 12 months	1.14	1.14	1,200	600	(26)	12
			3,600	4,000	(79)	111

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 (2021: £nil) in respect of FVTPL contracts. The loss of £1.3 million (2021: £1.5 million loss) in respect of cash flow hedges has been taken to reserves.

## 25 Fair value of financial assets and liabilities

The Directors consider that the fair value of the Group's financial instruments do not differ significantly from their book values.

## 26 Foreign exchange rates

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

	Average rate		Closing rate		Percentage change	
	2022	2021	2022	2021	Average %	Closing %
Currency						
US Dollar	1.24	1.38	1.21	1.35	(10)	(11)
Euro	1.18	1.16	1.13	1.19	1	(5)

## 27 Share capital

	Allotted, called up and fully paid '000
<b>Number of Ordinary Shares of 5p each</b>	
At 1 January 2021	215,383
Share capital allotted for share schemes	688
At 31 December 2021	216,071
Share capital allotted for share schemes	807
<b>At 31 December 2022</b>	<b>216,878</b>

At the Statement of Financial Position date, 390,852 (2021: 371,498) 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**.

	Allotted, called up and fully paid £'000
<b>Ordinary Shares of 5p each</b>	
At 1 January 2021	10,769
Share capital allotted for share schemes	35
At 31 December 2021	10,804
Share capital allotted for share schemes	39
<b>At 31 December 2022</b>	<b>10,843</b>

## 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 Share Incentive Plan.

### 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 parent's functional currency, being Sterling, are recognised directly in the translation reserve. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations are included in the translation reserve.

A £6.9 million gain has been recorded in the translation reserve during the period, which would otherwise have been recognised in Administration costs (2021: £5.2 million loss) if hedge accounting had not been adopted.

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 29 Share-based payments

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

	2022 £'000	2021 £'000
Unapproved Executive Share Option Scheme and Company Share Option Scheme	441	336
Long-Term Incentive Plan	1,218	1,006
Share Incentive Plan and Deferred Annual Bonus Scheme	780	637
	<b>2,439</b>	<b>1,979</b>

### 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	29/04/2022
Share price at grant date	308.0p	328.75p	239.00p	214.50p	257.0p	304.0p
Exercise price	308.0p	328.75p	239.00p	214.50p	257.0p	304.0p
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	0.94%	0.75%	0.08%	0.08%	0.12%	1.64%
Expected volatility	34%	26%	36%	36%	35%	36%
Expected dividend yield	0.7%	0.4%	0.6%	0.6%	0.6%	0.7%
Fair value of options	41p	48p	46p	42p	47p	63p

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.

Options have been granted over the following number of Ordinary Shares which were outstanding at 31 December 2022:

Date of grant	Option price (p)	Number of options as at 1 January 2022	Remaining life (years) 1 January 2022	Issued	Lapsed	Exercised	Number of options as at 31 December 2022	Remaining life (years) 31 December 2022
<b>Unapproved Executive Share Option Scheme</b>								
15/04/14	115.75	102,000	2.3	–	–	–	102,000	1.3
19/09/14	121.75	28,000	2.7	–	–	–	28,000	1.7
02/04/15	132.00	60,000	3.2	–	–	(10,000)	50,000	2.2
18/04/16	184.60	166,991	4.3	–	–	(48,399)	118,592	3.3
06/04/17	246.70	275,374	5.3	–	–	(39,209)	236,165	4.3
13/04/18	308.00	322,864	6.3	–	(73,143)	–	249,721	5.3
24/04/19	328.75	371,540	7.3	–	(71,128)	–	300,412	6.3
14/04/20	239.00	686,727	8.3	–	(74,500)	–	612,227	7.3
25/09/20	214.50	34,872	8.7	–	–	–	34,872	7.7
23/04/21	257.40	765,145	9.3	–	(38,207)	–	726,938	8.3
29/04/22	303.90	–	–	1,168,917	(66,279)	–	1,102,638	9.3
<b>Company Share Option Plan</b>								
26/04/13	77.50	1,000	1.3	–	–	–	1,000	0.3
15/04/14	115.75	13,000	2.3	–	–	–	13,000	1.3
02/04/15	132.00	5,000	3.2	–	–	–	5,000	2.2
18/04/16	184.60	66,798	4.3	–	–	–	66,798	3.3
06/04/17	246.70	104,239	5.3	–	–	(32,084)	72,155	4.3
13/04/18	308.00	116,022	6.3	–	(14,843)	–	101,179	5.3
24/04/19	328.75	115,459	7.3	–	(10,083)	–	105,376	6.3
14/04/20	239.00	244,699	8.3	–	(11,149)	–	233,550	7.3
23/04/21	257.40	305,355	9.3	–	(40,043)	–	265,312	8.3
29/04/22	303.90	–	–	292,183	(24,441)	–	267,742	9.3
		3,785,085		1,461,100	(423,816)	(129,692)	4,692,677	

The weighted average remaining contractual life of the options outstanding at 31 December 2022 is 7.1 years (2021: 7.4 years).

The weighted average exercise price of options in the year was £2.78 (2021: £3.09)

	2022 Number of Options	2021 Number of Options
Outstanding at beginning of the year	3,785,085	3,151,338
Issued	1,461,100	1,106,500
Exercised	(129,692)	(303,020)
Lapsed	(423,816)	(169,733)
Outstanding at end of the year	4,692,677	3,785,085
Exercisable at end of the year	1,449,398	1,261,288

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

The fair value of the LTIP options is calculated using a monte carlo 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%
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	29/04/2022
Share price at grant date	328.8p	239.0p	214.5p	257.4p	280.5p
Exercise price	0p	0p	0p	0p	0p
Expected life	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk free rate	0.75%	0.08%	0.08%	0.12%	1.64%
Expected volatility	26%	36%	36%	36%	36%
Expected dividend yield	0.4%	0.6%	0.6%	0.6%	0.7%
Fair value of option	297.0p	217.0p	185.0p	251.0p	251.0p

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

The entitlement to shares under the LTIP is subject to achieving the performance conditions referred to on **page 65**. The numbers shown are maximum entitlements and the actual number of shares issued (if any) will depend on these performance conditions being achieved.

Date of grant	Market price at date of grant (p)	Number of LTIPs at 1 January 2022	Remaining life (years) 1 January 2022	Issued	Lapsed	Exercised	Number of LTIPs at 31 December 2022	Remaining life (years) 31 December 2022
<b>Long-Term Incentive Plan</b>								
06/06/14	117.00	38,450	2.4	–	–	–	38,450	1.4
02/04/15	132.00	99,270	3.2	–	–	–	99,270	2.2
10/09/15	151.50	146,939	3.7	–	–	(146,939)	–	2.7
18/04/16	184.60	206,578	4.3	–	–	(138,426)	68,152	3.3
06/04/17	246.70	123,007	5.3	–	–	(80,096)	42,911	4.3
24/04/19	328.75	389,875	7.3	–	(307,227)	(54,331)	28,317	6.3
14/04/20	239.00	581,153	8.3	–	–	–	581,153	7.3
25/09/20	214.50	22,476	8.7	–	–	–	22,476	7.7
23/04/21	257.40	599,824	9.3	–	(35,500)	(2,000)	562,324	8.3
29/04/22	303.90	–	–	720,853	(11,200)	–	709,653	9.3
		2,207,572		720,853	(353,927)	(421,792)	2,152,706	

The weighted average exercise price of the Long-Term incentive Plan in the year was £2.75 (2021: £2.38)



## 29 Share-based payments *continued*

The weighted average remaining contractual life of the LTIPs outstanding at 31 December 2022 is 7.7 years (2021: 7.2 years).

	2022 Number of Options	2021 Number of Options
Outstanding at beginning of the year	2,207,572	2,121,346
Issued	720,853	626,365
Exercised	(421,792)	(76,733)
Lapsed	(353,927)	(463,406)
Outstanding at end of the year	2,152,706	2,207,572
Exercisable at end of the year	277,100	614,244

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

### Share Incentive Plan ('SIP')

The fair value of the SIP 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%
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%
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	12/05/2022
Share price at grant date	328.75p	244.97p	218.40p	272.94p	328.29p	270.50p
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	0.75%	0.08%	0.08%	0.12%	0.12%	1.64%
Expected volatility	26%	36%	36%	36%	36%	36%
Expected dividend yield	0.4%	0.6%	0.6%	0.6%	0.6%	0.7%
Fair value of option	296p	253p	190p	238p	288p	251p

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 SIP 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 SIP are given on **page 69**.

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 29 Share-based payments continued

Date of grant	Market price at date of grant (p)	Number of SIP matching shares at 1 January 2022	Issued	Lapsed	Exercised	Number of SIP matching shares at 31 December 2022
<b>Share Incentive Plan</b>						
12/04/07	18.25	6,759	–	–	–	6,759
02/05/08	35.50	9,415	–	–	–	9,415
23/04/09	34.00	15,351	–	–	–	15,351
05/05/10	40.32	12,400	–	–	–	12,400
11/05/11	83.00	3,176	–	–	–	3,176
10/05/12	70.63	7,600	–	–	(2,123)	5,477
02/07/13	74.13	38,720	–	–	(4,460)	34,260
30/04/14	126.00	31,882	–	–	(2,221)	29,661
29/04/15	141.50	53,573	–	–	(5,609)	47,964
03/05/16	183.00	101,957	–	–	(15,126)	86,831
02/05/17	264.10	111,492	–	–	(16,915)	94,577
13/04/18	306.77	142,751	–	–	(17,451)	125,300
29/04/19	328.75	213,701	–	(1,414)	(83,616)	128,671
05/05/20	244.97	342,043	–	(8,721)	(7,938)	325,384
16/11/20	218.40	93,971	–	(6,268)	(740)	86,963
11/05/21	272.09	280,827	–	(5,554)	(3,868)	271,405
15/11/21	328.29	95,553	–	(3,785)	(851)	90,917
12/05/22	270.50	–	459,634	(8,952)	(1,043)	449,639
02/11/22	270.53	–	86,001	–	–	86,001
		1,561,171	545,635	(34,694)	(161,961)	1,910,151

The weighted average exercise price of the Share Incentive Plan in the year was £2.75 (2021: £2.79).

	2022 Number of Options	2021 Number of Options
Outstanding at beginning of the year	1,561,171	1,406,032
Issued	545,635	394,111
Exercised	(161,961)	(189,478)
Lapsed	(34,694)	(49,494)
Outstanding at end of the year	1,910,151	1,561,171
Exercisable at end of the year	599,842	535,076

The exercise price of the matching shares is £nil.

### Deferred Annual Bonus Scheme ('DAB')

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

Grant date	21/05/2014	15/04/2015	18/04/2016	06/04/2017	13/04/2018	24/04/2019	29/04/2022
Share price at grant date	115.4p	129.0p	184.6p	246.7p	308.0p	328.75p	303.9p
Exercise price	0p	0p	0p	0p	0p	0p	0p
Expected life	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk-free rate	0.80%	0.80%	0.67%	0.18%	0.94%	0.75%	1.64%
Expected volatility	31%	31%	25%	23%	25%	26%	36%
Expected dividend yield	0.7%	0.7%	0.4%	0.4%	0.4%	0.4%	0.7%
Fair value of option	115p	129p	183p	250p	308p	329p	252p

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

### 29 Share-based payments *continued*

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 2022	Remaining life (years) 1 January 2022	Issued	Lapsed	Exercised	Number of DAB matching shares at 31 December 2022	Remaining life (years) 31 December 2022
<b>Deferred Annual Bonus Plan</b>								
21.05.2014	115.40	520	2.3	–	–	–	520	1.3
15.04.2015	129.00	6,095	3.3	–	–	–	6,095	2.3
18.04.2016	184.60	5,971	4.3	–	–	–	5,971	3.3
06.04.2017	246.70	9,168	5.3	–	–	–	9,168	4.3
13.04.2018	308.00	29,910	6.3	–	–	(21,749)	8,161	5.3
24.04.2019	328.75	32,769	7.3	–	–	(23,731)	9,038	6.3
29.04.2022	303.90	–	–	18,268	–	–	18,268	9.3
		<b>84,433</b>		<b>18,268</b>	<b>–</b>	<b>(45,480)</b>	<b>57,221</b>	

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 in those years.

The weighted average exercise price of the Deferred Annual Bonus Plan options in the year was £2.75 (2021: £2.55).

The weighted average remaining contractual life of the DAB options outstanding at 31 December 2022 is 6.0 years (2021: 6.2).

	2022 Number of Options	2021 Number of Options
Outstanding at beginning of the year	84,433	149,300
Issued	18,268	–
Exercised	(45,480)	(64,867)
Lapsed	–	–
Outstanding at end of the year	57,221	84,433
Exercisable at end of the year	38,953	51,664

### 30 Related party transactions

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

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 31 Acquisition

On 28 April 2022, the Group acquired the entire issued share capital of AFS Medical GmbH, an Austria-based distributor of minimally invasive surgical devices.

In the eight-month period from acquisition to 31 December 2022, AFS contributed £3.7 million of net revenue to the Group and a negligible amount of operating profit. In addition, amortisation of intangible assets of £0.3 million was recorded within the Group as a result of the acquisition

	£'000
<b>Identifiable net assets acquired</b>	
Customer-related Intangible asset	3,424
Marketing-based Intangible asset	524
Property, plant and equipment	242
Trade and other receivables	296
Inventory	845
Cash and cash equivalents	42
Trade and other payables	(1,293)
Lease liabilities	(226)
Borrowings	(331)
Borrowings from AMS	(2,526)
Deferred tax on intangible asset	(986)
Goodwill arising on acquisition	1,452
Total net assets	1,462

Borrowings from AMS arose as funds were advanced prior to completion of the acquisition to repay external funding and are included within acquisition of subsidiaries within the Consolidated Statement of Cash Flows. These borrowings are now eliminated on consolidation. £0.3 million of borrowings that existed at the date of acquisition have been repaid prior to 31 December 2022 as disclosed in the Consolidated Statement of Cash Flows.

<b>Satisfied by</b>	£'000
Cash consideration	297
Contingent consideration	1,165
	1,462

<b>Net cash flow on acquisition</b>	£'000
Cash consideration	(297)
Cash acquired	42
	(255)

Contingent consideration arose on the acquisition in respect of up to €1.5 million which is payable subject to EBITDA delivery in 2022-2024. £1.2 million is the estimated fair value of it as at the acquisition date.

None of the goodwill on the acquisition is expected to be deductible for income tax.

## 32 Events after reporting period

There have been no material events subsequent to 31 December 2022 with the exception of the acquisition of Connexicon Medical Limited, announced in February 2023, for initial consideration of €7 million and with further deferred payments dependent on the delivery of future research & development, regulatory and commercial milestones.

## COMPANY STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022 £'000	2021 £'000
<b>Non current assets</b>			
Investments in subsidiaries	3	58,017	58,017
Trade and other receivables	4	36,617	21,482
		<b>94,634</b>	<b>79,499</b>
<b>Current assets</b>			
Trade and other receivables	4	237	14,485
Cash and cash equivalents		64,801	62,518
		<b>65,038</b>	<b>77,003</b>
<b>Current liabilities</b>			
Trade and other payables	5	(12,637)	(11,838)
<b>Net current assets</b>		<b>52,401</b>	<b>65,165</b>
<b>Net assets</b>		<b>147,035</b>	<b>144,664</b>
<b>Equity shareholders' funds</b>			
Share capital	6	10,843	10,804
Share premium		37,269	36,996
Share-based payments reserve		15,711	13,180
Investment in own shares		(167)	(164)
Retained earnings		83,379	83,848
<b>Equity attributable to equity holders of the parent</b>		<b>147,035</b>	<b>144,664</b>

The Company reported total comprehensive income for the year ended 31 December 2022 of £3.9 million (2021: expense of £0.2 million).

The Financial Statements of Advanced Medical Solutions Group plc (registration number 2867684) on **pages 123 to 129** were approved by the Board of Directors and authorised for issue on 18 April 2023 and were signed on its behalf by:

**Chris Meredith**  
Chief Executive Officer

# COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital £'000	Share-based payments £'000	Investment in own shares £'000	Share premium £'000	Retained earnings £'000	Total £'0001
<b>At 1 January 2021</b>	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)
<b>At 31 December 2021</b>	10,804	13,180	(164)	36,996	83,848	144,664
Share-based payments	–	2,439	–	–	–	2,439
Share options exercised	39	92	–	273	–	404
Shares purchased by EBT	–	–	(392)	–	–	(392)
Shares sold by EBT	–	–	389	–	–	389
Total comprehensive income	–	–	–	–	3,872	3,872
Dividends paid	–	–	–	–	(4,341)	(4,341)
<b>At 31 December 2022</b>	10,843	15,711	(167)	37,269	83,379	147,035

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2022

## 1. Significant accounting policies

### Basis of preparation

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. 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 2022

## 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 remeasured at each period end. The gain or loss on remeasurement to fair value is recognised immediately in the Income Statement. The Company has elected not to apply hedge accounting. Forward currency contracts are recognised at fair value in the Statement of Financial Position with movements in fair value recognised in the Income Statement for the period. The fair value of the instruments is the estimated amount that the Company would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the respective risk profiles of the swap counterparties.

Derivatives are presented as assets when the fair values are positive and as liabilities when the fair values are negative.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

## Share-based payments

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

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period. At each Statement of Financial Position date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in 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 profit for the financial year ended 31 December 2022 of profit of £3.9 million (2021: loss of £0.2 million).

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

The average number of employees in the year was 17 (2021: 16), all of whom were classified as Administration (2021: same). The Directors' remuneration is detailed in **Note 9** to the Consolidated Financial Statements.

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Staff costs for all employees, including Executive Directors, consists of:		
Wages and salaries	4,922	3,891
Social Security costs	330	578
Pension costs	90	98
Share-based payments (see Note 29 to the Consolidated Financial Statements)	2,439	1,979
	<b>7,781</b>	<b>6,546</b>



### 3. Investments in subsidiaries

	Investments in subsidiaries £'000
<b>Cost</b>	
At 1 January 2022	86,687
<b>At 31 December 2022</b>	<b>86,687</b>
<b>Provisions for impairment</b>	
At 1 January 2022	28,670
<b>At 31 December 2022</b>	<b>28,670</b>
<b>Net book value</b>	
<b>At 31 December 2022</b>	<b>58,017</b>
At 31 December 2021	58,017

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

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

Name	Country of operation	Proportion of voting rights and Ordinary Share capital held	Nature of business	Registered address
Advanced Medical Solutions Limited	England	100%	Development and manufacture of medical products	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
Advanced Medical Solutions (UK) Limited	England	100%	Holding Company	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
Advanced Medical Solutions Trustee Company Limited	England	100%	Trustee Company	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
Advanced Medical Solutions (Plymouth) Limited	England	100%	Dormant	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
Advanced Healthcare Systems Limited	England	100%*	Dormant	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
MedLogic Global Holdings Limited	England	100%*	Holding Company	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
Innovative Technologies Limited	England	100%†	Dormant	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
Raleigh Adhesive Coatings Limited	England	100%*	Development and manufacture of medical products	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
Advanced Medical Solutions BV	Netherlands	100%	Development and manufacture of medical products	Munnikenheiweg 35, 4879 NE Etten-Leur, Netherlands
Advanced Medical Solutions (Germany) GmbH	Germany	100% <sup>^</sup>	Holding Company	Am Flachmoor 16, 90475 Nuremberg, Germany
Resorba Medical GmbH	Germany	100% <sup>#</sup>	Development and manufacture of medical products	Am Flachmoor 16, 90475 Nuremberg, Germany

# NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

Year ended 31 December 2022

Name	Country of operation	Proportion of voting rights and Ordinary Share capital held	Nature of business	Registered address
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%#	Distribution 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
AFS Medical GmbH	Austria	100%*	Distribution of medical products	Gewerbepark B17/II, Straße 1/3, 2524 Teesdorf, Austria
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

	2022 £'000	2021 £'000
<b>Non-current assets</b>		
Amounts due from Group undertakings	36,618	21,482
	2022 £'000	2021 £'000
<b>Current assets</b>		
Prepayments and accrued income	237	199
Amounts due from Group undertakings	–	14,175
Derivative financial instruments	–	111
	237	14,485

#### 4. Trade and other receivables continued

	2022 £'000	2021 £'000
<b>Amounts Owed by Group undertakings</b>		
At 1 January	37,997	48,924
Movement	960	(10,927)
At 31 December	38,957	37,997
<b>Provisions for impairment</b>		
At 1 January	2,340	2,340
At 31 December	2,340	2,340
<b>Net book value</b>		
At 31 December	36,617	35,657

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 2022 of £40 million, reducing to £30 million on 31 December 2023. 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

	2022 £'000	2021 £'000
Amounts owed to Group undertakings	9,191	8,929
Accruals and deferred income	3,366	2,909
Derivative financial instruments	80	–
	12,637	11,838

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 115** in the Notes to the Group's accounts.

#### 7. Share-based payments

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

	2022 £'000	2021 £'000
Unapproved Executive Share Option Scheme and Company Share Option Scheme	441	336
Long-Term Incentive Plan	1,218	1,006
Share Incentive plan and Deferred Annual Bonus Scheme	780	637
	2,439	1,979

Details on the share-based payments of the Company are provided in **Note 29** on **pages 116 to 121** in the Notes to the Group's accounts.

## FIVE YEAR SUMMARY

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
<b>Consolidated Income Statement</b>					
Revenue	124.3	108.6	86.8	102.4	102.6
Profit from operations (Pre-exceptional)	24.9	23.0	11.6	25.3	28.9
Profit attributable to equity holders of the parent (Pre-exceptional)	20.4	17.5	9.4	20.0	22.9
Basic earnings per share (Pre-exceptional)	9.4p	8.1p	4.4p	9.3p	10.7p
<b>Consolidated Statement of Financial Position</b>					
<i>Net assets employed</i>					
Non-current assets	149.2	134.5	141.4	115.2	86.0
Current assets	131.9	115.0	97.2	111.8	119.2
Total liabilities	(44.5)	(36.8)	(36.4)	(35.7)	(32.5)
Net assets	236.6	212.7	202.2	191.3	172.7
<i>Shareholders' equity</i>					
Share capital & investment in own shares	10.7	10.6	10.6	10.6	10.5
Share-based payments reserve	15.7	13.2	11.1	9.5	7.3
Share-based payments deferred tax reserve	0.5	0.9	0.4	0.6	0.7
Share premium account	37.3	37.0	36.3	36.2	35.2
Other reserve	1.5	1.5	1.5	1.5	1.5
Hedging reserve	(1.5)	–	1.2	0.6	(2.4)
Translation reserve	5.0	(1.9)	3.3	(0.2)	3.3
Retained equity	167.4	151.4	137.7	132.5	116.6
Equity attributable to equity holders of the parent	236.6	212.7	202.2	191.3	172.7

Whilst no exceptional items have been incurred in the current or prior year, the Group treats exceptional items as a profit adjusted item when calculating alternative performance measures.

### 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 or one-off activities, in particular as a result of business combinations, which if included may distort the underlying performance 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 (2021: £nil), amortisation of acquired intangible assets which was £3.4 million (2021: £3.2 million) and a long-term liability income of £0.8 million (2021: expense of £0.4 million) as reconciled in the Financial Review (See [page 41](#)).
- Adjusted operating margin is shown before exceptional items and amortisation of acquired intangible assets as reconciled in the Financial Review (See [page 41](#)).
- 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 41](#)).

Further information regarding the profit adjusting items can be found in the notes to the Group Financial Statements:

- Exceptional items ([Note 6](#)).
- Amortisation of acquired intangible assets which was ([Note 16](#)).
- Change in long-term liabilities credit/expense ([Note 12](#)).

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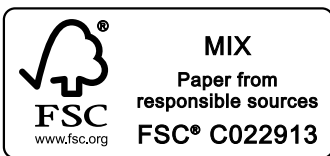
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