



Advanced Medical Solutions Group plc

# Transforming, Innovating, Accelerating Growth





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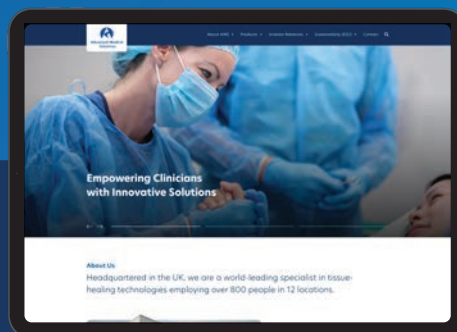
View the latest results online at [admedsol.com/investor-relations](https://admedsol.com/investor-relations)



Despite significant challenges, we achieved our updated guidance in 2023 and lived our values of Care, Fair and Dare. 2024 has started very strongly. Sales of LiquiBand® have surged and we believe Peters Surgical provides us with a highly complementary and transformational opportunity.

**Chris Meredith**

Chief Executive Officer



### Introducing our new website

Modern aesthetic and refreshed content, providing investors and other stakeholders with comprehensive and up-to-date content on our activities as we manage transformational change in the coming years.

[admedsol.com](https://admedsol.com)

## Highlights



2023 was a year of significant accomplishments, but also several challenges. Yes, we missed our original projections, but our strategic rethink has paid off, and the acquisition of Peters Surgical will be transformational, driving both growth and significant operational synergies.

**Liz Shanahan**

Chair

Revenue  
(£ million)

**£126.2m**

↑ 2%

(+2% at constant currency<sup>1</sup>)  
(2022: £124.3m)

Adjusted<sup>2</sup> profit before tax  
(£ million)

**£25.9m**

↓ 9%

(2022: £28.5m)

Profit before tax margin  
(%)

**16.8%**

↓ 4pp

(2022: 20.8%)

Diluted earnings per share  
(p)

**7.25p**

↓ 22%

(2022: 9.30p)

### Financial

- Group revenue increased by 2% to £126.2 million (2022: £124.3 million).
- Adjusted profit before tax decreased by 9% to £25.9 million (2022: £28.5 million) and reported profit before tax decreased to £21.2 million (2022: £25.9 million) as impacted by lower royalty income and the temporary reduction in US LiquiBand<sup>®</sup>.
- Investment in the Connexicon acquisition, planned inventory build and share purchases by the Employee Benefit Trust resulted in net cash reducing to £60.2 million (2022: £82.3 million).
- Investment in R&D increased to £12.6 million (2022: £12.3 million).
- Proposed increased final dividend of 1.66p per share (2022: 1.51p) bringing the total proposed dividend to 2.36p per share (2022: 2.15p).



Adjusted<sup>2</sup> profit before tax margin (%)

**20.5%**

↓ 2.4pp

(2022: 22.9%)

Adjusted<sup>2</sup> diluted earnings per share (p)

**9.39p**

↓ 10%

(2022: 10.47p)

Profit before tax (£ million)

**£21.2m**

↓ 18%

(2022: £25.9m)

Net operating cash flow (£ million)

**£12.3m**

↓ 54%

(2022: £26.9m)

Net cash<sup>3</sup> (£ million)

**£60.2m**

↓ 27%

(2022: £82.3m)

Proposed full-year dividend per share (p)

**2.36p**

↑ 10%

(2022: 2.15p)

## Operational

- Successful implementation of new US LiquiBand<sup>®</sup> route-to-market strategy that is set to deliver record US LiquiBand<sup>®</sup> sales in 2024.
- FDA approval for LiquiFix<sup>™</sup> and in-market US launch with TELA Bio.
- Completion of the first SEAL-G<sup>®</sup> human clinical trials with initial data showing an improvement in leak rates.
- 1 February 2023: Acquisition of Connexicon increasing our portfolio of adhesive and sealant technologies.

## Post period-end

- Announced 13 March 2024 (Expected completion mid 2024): Transformational acquisition of Peters Surgical strengthening our position as a leading global specialist in tissue repair and skin closure.
- Acquisition of SyntaColl GmbH ('SyntaColl') for €1 million on 1 March 2024, a specialist manufacturer of drug-eluting collagens that strengthen the Group's existing biosurgical business.

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 £4.9 million (2022: £3.4 million) and the movement in long-term liabilities recognised on acquisitions which was a credit of £0.2 million (2022: £0.8 million credit).

3. Net cash consists of cash and cash equivalents with nil debt (2022: £nil debt).

# AMS at a Glance

## 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.

## Our mission:

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

Headquartered in the UK, we are a world-leading specialist in tissue-healing technologies employing over 850 people in 13 locations<sup>1</sup>.

<b>1</b> Winsford, UK HQ	▲ ■ ●	<b>8</b> Haifa, Israel	▲ ■ ●
<b>2</b> Plymouth, UK	▲ ■ ●	<b>9</b> Nantes, France	▲ ■ ●
<b>3</b> Stafford, UK	▲ ■ ●	<b>10</b> Vienna, Austria	▲ ■ ●
<b>4</b> Etten Leur, Netherlands	■ ●	<b>11</b> Dublin, Ireland	▲ ■ ●
<b>5</b> Nuremberg, Germany	▲ ■ ●	<b>12</b> Saal an Der Donau, Germany	▲ ■ ●
<b>6</b> Domazlice, Czech Republic	■ ●	<b>13</b> Moscow, Russia <sup>2</sup>	■ ●
<b>7</b> Neustadt, Germany	■		

### Key for Map<sup>2</sup>:

▲ R&D ■ Manufacturing ● Sales

1. Former Syntacoll site included (post year-end). Peters Surgical sites are excluded.  
2. Small legacy sales office contributing less than 1% of operating profit.



## AMS in numbers:

Manufacturing and R&D locations

11

Countries sold into

>80

Distribution Partners

>100

Employees

>850

Group Sales

£126.2m

13

7

4

12

5

6

10



Acquiring Peters Surgical makes us a real powerhouse in our field. We have been looking for an acquisition of this scale and synergy for some time, and Peters provides us with the perfect opportunity.

8

## Our Cultural Values:



### Care

Respect colleagues, encourage and value all contributions. Focus on the bigger picture. Open-minded and take appropriate action.



### Fair

Take accountability and responsibility. Transparent and open in communication and actions. Act as a team player to deliver outcomes.



### Dare

Demonstrate determination and persistence. Use critical thinking and creativity to find solutions. Find value-added improvements.

## Chair's Statement

**It's an honour to be part of AMS's success story as it continues to make a real difference to patient outcomes.**



Dear Shareholder,

I am incredibly honoured to have been appointed as Chair of AMS and to become part of its success story as it continues to make a real difference to patient outcomes. I join a Group with an impressive leadership team and talented individuals throughout the business.

2023 was a challenging year. Despite this, I believe we made good progress with a number of key initiatives, setting a strong foundation for growth for the next five years. The strategic realignment of our LiquiBand® franchise in the US, which the Board unanimously endorsed, is already having a positive impact and the market feedback on LiquiFix™ in the US validates the confidence we have in the commercial potential of this unique product.

The geopolitical environment in which we operate remains unstable and the final quarter of 2023 was particularly difficult for our small team in Israel. All those affected in both Israel and Gaza, and wider region, are in our thoughts.

The acquisition of Peters Surgical marks the next stage of growth and transformation for AMS. We have been looking for an acquisition of this scale for a period of time. It is a truly synergistic acquisition and we believe it provides us with great opportunities.

The progress that AMS has made would not have been possible without the hard work, drive and unwavering commitment of our employees and leadership team, for which I would like to thank them on behalf of the Board, and I would also like to thank our shareholders for their continued support.

The Peters Surgical acquisition creates a more stable and enlarged Group that is well placed to navigate the ongoing macroeconomic uncertainties to continue to strengthen its competitive position and to successfully deliver sustainable and profitable growth into the medium term. We have a very bright future and look forward to all our stakeholders benefiting from our success.

**Liz Shanahan**  
Chair

1 May 2024



## Transforming through Acquisitions



On 13 March 2024, AMS announced the proposed transformational acquisition of Peters Surgical, a leading European provider of specialty surgical products, for a maximum consideration of €141 million.

Following completion, expected mid-2024, the deal will strengthen the Group's position as a leading, global specialist in tissue repair and skin closure.

Peters Surgical is an excellent strategic fit, aligning with the strategy of expanding the Group's presence in the operating room, increasing the portfolio and sales of AMS branded products, increasing direct selling capabilities and volumes and expanding its global footprint. Peters offers complementary expertise, global reach, cross-selling opportunities and potential synergies, significantly broadening AMS's portfolio, by:

- Extending its portfolio of surgical products, increasing diversity and reducing reliance on single markets.
- Increasing its portfolio of own-brand products.
- Strengthening its direct sales force capability in key markets.
- Increasing its global footprint in target markets.
- Integrating a cash-generative business to provide substantial commercial and cost synergies.



# Transforming through Acquisitions continued

## Complementary portfolio of surgical products

The complementary nature of Peters Surgical products significantly strengthens AMS's existing brands and with both businesses targeting the same end-users, creates significant cross-selling opportunities. Peters Surgical generated revenues of €84 million in the 12 months to 31 December 2023.

### Sutures (47% of 2023 Peters revenue)

The Peters range of specialist sutures, focusing on cardiovascular, dental and ophthalmic applications, combined with our range of RESORBA® sutures, creates a comprehensive product offering that can compete more effectively with global market leaders. The joint portfolio establishes a major regional player in Europe, APAC and the Middle East, while new US approvals for the Peters Surgical range anticipated in 2025 are expected to become a significant growth-driver for the business.

### Internal Fixation and Sealants (4% of 2023 Peters revenue)

Peter's range of novel internal adhesives has the potential to generate high levels of growth. Their hexyl-based cyanoacrylate formulations are ideally suited for wet environments and internal use, being more flexible and resorbable, which allows them to be used in a wide range of applications, including bariatric surgery and prolapse repair. Combined with AMS's expertise in device design, this expanded portfolio is expected to further enhance AMS's rapidly growing LiquiBandFix8®/LIQUIFIX™ hernia repair franchise.

### Haemostasis (33% of 2023 Peters revenue)

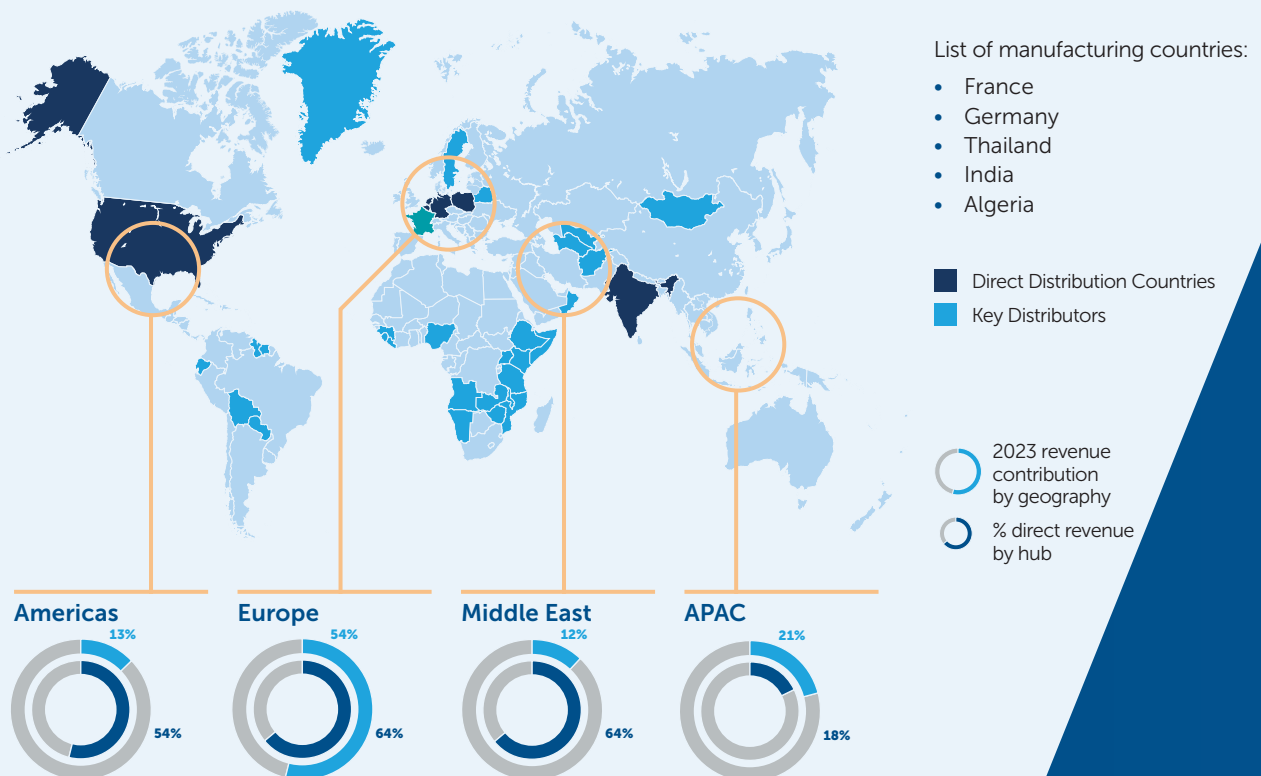
Peter's range of innovative, haemostatic vascular clip technology and clamps complements AMS's range of biosurgical and haemostatic products, with both portfolios targeting the same surgical procedures and end-users.

### Other (10% of Peters Surgical revenue)

Peters range of outsourced, complementary surgical devices will combine with the portfolio of products gained via the acquisition of AFS Surgical in 2022. This will establish a comprehensive range of surgical instruments that can be exploited to enhance other key target areas.

## Significant Operational Synergies

The Peters Surgical acquisition substantially increases the Group's manufacturing and R&D capabilities and expertise. The complementarity between the two portfolios presents significant opportunities to improve operational efficiency across the combined Group over the coming years.



### Enhancing Direct Sales and Global Commercial Footprint

The acquisition of Peters Surgical will significantly enhance the Group’s geographic footprint and its ability to penetrate key markets.

#### Increased direct sales presence in key markets

The addition of Peter’s established direct sales presence in France, Benelux, Germany, Poland and India to AMS’s existing direct markets of the UK, Germany, Austria and the Czech Republic, represents a significant opportunity for the Group’s product offering and global reach. Cross-selling of both portfolios through this enlarged direct salesforce is expected to significantly enhance profitability and the Group’s ability to expand into key markets.

### Stronger and Broader Distribution Channels

Peters has already established distribution channels across key markets such as China, Japan, South-East Asia, the Middle-East and Africa where AMS has yet to make significant in-roads. Harnessing these networks presents significant opportunities for AMS’s LiquiBand®, LiquiBandFix8® and RESORBA® brands in accelerating penetration in these lucrative territories.

In the US, Peters operates a hybrid model similar to AMS with locally based specialists supporting a network of distributors and partners. New product approvals and launches are expected to further leverage this model and critical market in the short, medium and long term.

## Commercial Synergies: Combined Specialist Portfolio – Doubling Surgical Revenues



**Topical surgical glues:**  
Major player in cyanoacrylate sealant technology

- LiquiBand® branded
- LiquiBand® XL

**Biosurgicals:**  
Range of biological surgical scaffolds

- RESORBA® branded
- Collagen devices with drug-eluting technology
- Synthetic bone substitutes

**Internal Fixation:**  
Leader in the fast-growing internal glue market

- LiquiBand Fix8® / LIQUIFIX™ for hernia mesh fixation
- Complementary Ifabond® for internal use for hernia repairs and other applications

**Sutures:**

Leading specialist suture provider:

- Absorbable/Non-absorbable
- Focus on key specialty segments
- Cardiovascular
- Dental
- Ophthalmic

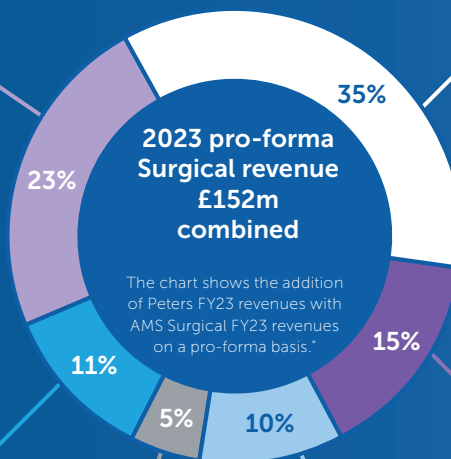
**Vascular Temporary Occlusion & Clips:**  
Innovative and novel clip technology

- Ligating clips
- Clamps

**Other:**

Range of specialist surgical devices and instruments

- AMS’ ‘Other Distributed products’ including AFS
- Peters Surgical range of distributed and sourced complementary devices



# Our Business Model

AMS develops, manufactures and distributes innovative tissue-healing technology designed to improve clinical outcomes while providing overall cost savings in surgery, emergency rooms and other healthcare settings.

## Our enablers

### Innovation and acquisitions

We develop, manufacture and distribute innovative tissue-healing technology, marketed through five key brands: LiquiBand®, LiquiBandFIX8® (LiquiFix™ in the US), RESORBA®, Seal-G® and ActivHeal®.

We continue to expand our portfolio through innovation and acquisitions, generating a robust and sustainable growth profile.

### Growing market opportunity

We operate in global healthcare markets with consistent and rising demand.

→ More information on [Pages 48 to 53](#)

The surgical and woundcare products we offer are used on a daily basis, making our business highly cash-generative with recurring revenues.

### Strong financials

Proven track record of top-line growth, good profitability and underlying cash generation, excluding non-recurring changes to inventory levels, after payment of dividend enables us to invest in long-term growth opportunities through organic growth and acquisitions.

### Technical expertise and specialist facilities

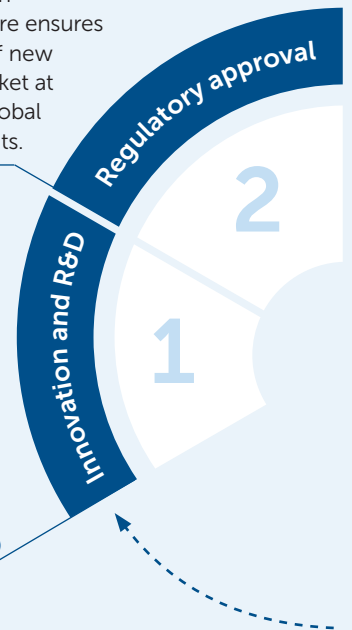
Our high-level of technical expertise, lean manufacturing practices and quality processes throughout our specialist facilities allows us to deliver top-quality products and excellent service to a broad range of customers.

## Our value-chain

Extensive investment in regulatory infrastructure ensures a smooth transition of new products into the market at a time of increasing global regulatory requirements.

Ongoing investment in innovation through specialist R&D centres located within our manufacturing facilities enables us to expand our portfolio.

**6** R&D innovation centres  
**10%** % of sales invested in R&D



## Track record of robust and resilient financial performance

## Underpinned by our ESG Framework

→ For more information on our ESG Policies see [Pages 24 to 36](#)



Planet



People

## Our Strategic Priorities

Our strategic priorities drive consistent long-term growth through innovation and acquisition, supported by our people, operational excellence and sustainability commitments:



**Growth**



**Innovation**



**Operational excellence**



**People and culture**

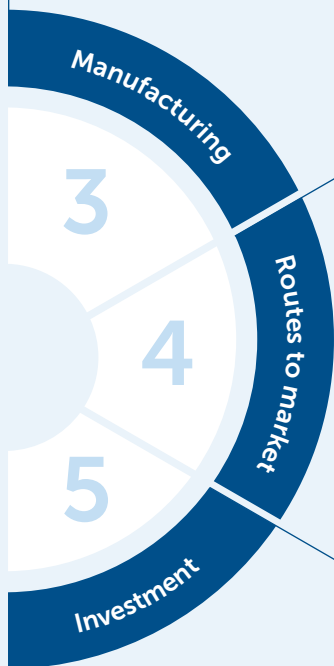


**Growing sustainably**

→ For more information on Strategy in Action see Pages 16 to 21

Almost all of our products are manufactured across 10 specialist, multi-national locations.

### 10 Manufacturing facilities



We optimise our strategy for each product and territory, including direct sales forces, distributors, hybrid strategies and OEM partnerships to ensure a targeted and focused sales approach.

### >100 Distribution partners

We invest funds generated by our business model into the business through:

- Reinvestment for organic growth
- Targeted acquisitions

#### Targeted acquisitions

Key acquisitions of SyntaColl and Peters Surgical (expected June 2024), we invest in expanding our portfolio and strengthening our biosurgical manufacturing capabilities.

## Value for stakeholders



### Our Patients

Delivering excellent outcomes for our patients.



### Our Employees

Being a great place for our employees to work.



### Our Investors

Delivering long-term sustainable growth and value for our investors.



### Our Clinicians

Delivering effective, efficient and safe 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.



**Product**



**Policy**

**A** Advancing sustainability

**M** Minimising environmental impact

**S** Socially responsible

## Growth Drivers

Key categories to drive growth, underpinned by the implementation of commercial initiatives, product launches and key acquisitions.

### Advanced Closure



#### LIQUIBAND®

##### Revitalised US distribution and LiquiBand® XL set to drive growth

AMS has built a leading position in the \$300m global tissue adhesives market with LiquiBand®, a range of products used to close, seal and protect topical wounds. Having secured a strong position in the key US market, in 2023 we revitalised our US distribution network with the aim to double market share in the coming years. The drivers of this will be:

- New agreements signed with our three hospital partners, while establishing the first foothold for an AMS house brand.
- The recent roll-out of LiquiBand® XL, for use in long wounds up to 66cm, which establishes a position in this fast-growing \$70m segment.
- Additional expansion in the EU, APAC and LATAM regions, alongside conversion from the use of sutures and staples to less invasive adhesives.

10 year revenue CAGR

**15%**

### Internal Fixation & Sealants



#### LIQUIBANDFIX8™

##### US launch to drive accelerated growth from 2024

LiquiBandFix8™/LiquiFix™ uses cyanoacrylate adhesive to fix mesh to the abdominal wall during open and laparoscopic hernia surgical repair. This novel technology avoids the use of invasive tacks and staples, minimising pain and other potential complications while providing greater intraoperative flexibility and potential cost benefits. The drivers of growth in this \$400m global market will be:

- Continued growth in Europe, following the acquisition of AFS Medical and NICE recommendation in the UK.
- US launch in 2024, supported by the commercialisation agreement with Tela Bio Inc; the fastest-growing hernia specialist in the US with the largest dedicated hernia sales force.

5 year revenue CAGR

**19%**



#### IFABOND®

##### Growth expected to accelerate further under AMS ownership

Ifabond® is an innovative internal glue for mesh and tissue fixation in abdominal wall and prolapse repair and bariatrics, complementary to LiquiFix™.

- AMS's expertise can be used to develop improved applicators for IFABOND® to further enhance growth potential.

→ Further details on **Ifabond®** can be found on **Pages 8 to 9**.



##### Gathering data to build long-term potential

Seal-G®/Seal-G® MIST presents an opportunity to address a significant unmet clinical need through an effective sealant during GI surgery. Key developments include:

- Novel technology entering a soft-launch phase and generating low levels of revenue, following receipt of a CE mark.
- Promising clinical data in 2023 has led to further trials in 2024 that should allow this technology to gain traction in a £1 billion market.



## Key drivers positioning AMS for future growth, with US LiquiBand® and LIQUIFIX™ set for significant progress in 2024.

### Biosurgical



#### Collagen devices and bone substitutes driving strong growth

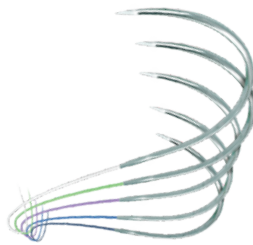
Our biosurgical business includes collagen/haemostatic devices for use in surgical and dental reconstructive applications, and a range of synthetic bone substitutes which provide orthopaedic surgeons with void fillers for use during reconstructive surgery. Growth-drivers in the coming year will be:

- New collagen approvals for antibiotic surgical dressings in Europe.
- Expansion into new territories continues.
- US launch of a new RESORBA®-branded bone range, expected to further enhance the portfolio's growth potential.

#### 10 year revenue CAGR

# 13%

### Sutures



#### Expanding geographic reach for sutures

AMS targets a subset of the global suture market with a direct market presence in Germany and the UK, while supplying customers in specialist applications. The Group's ongoing strategy to expand the geographic reach of existing products beyond European markets will make a significant impact on the future growth potential for these products.

#### 10 year revenue CAGR

# 4%



#### One of fastest growing suture providers in Europe

Peters Surgical manufactures of a wide range of high quality speciality sutures:

- Cardiovascular
- Dental
- Ophthalmic

Peters has direct market presence in France, Poland, Benelux, India and Germany.

The combination of RESORBA® and Peters Surgical positions AMS as one of the most diverse speciality suture providers in the world in a market with favourable conditions for growth.

# Q&A

with

## Chris Meredith, CEO



**Q** How do you view AMS's progress and performance in 2023?

**A** The Group has performed in line with updated guidance in 2023 with a strong underlying performance from the surgical business unit. Importantly, AMS has successfully optimised its commercial partnerships for US LiquiBand®, achieved FDA approval for LIQUIFIX™ and launched the product in the US with our specialist partner TELA Bio, and made significant clinical progress with SEAL-G® and SEAL-G® MIST. The Group is now positioned for strong revenue growth in 2024 and continues to maintain its investment in innovative products that will reinforce our position as a world-leading specialist in tissue-healing technologies.

**Q** What progress has been made to accelerate growth with US LiquiBand® partners?

**A** As announced in October 2023, the new US LiquiBand® route-to-market strategy is fully operational following the successful signing of all three hospital distribution agreements.

The structure of each of these five-year agreements has been designed to accelerate market-share gains and build on the underlying momentum already established by AMS and its partners in this growing \$270 million market. This new strategy will enable more product and brand differentiation, that will be further strengthened following the expected approval of the Connexicon range in 2024.

Furthermore, the new route-to-market strategy has established a stronger marketing platform to enable the recently launched LiquiBand® XL to gain traction in the US market through all three distribution channels and to build on the success that the product has already achieved, further accelerating overall LiquiBand® growth.

Our partners have completed the transition to the new agreements and throughout the transition, end-user sales have not been affected and there has been no impact on customers. In addition, normal order patterns have resumed for all three partners.

I have been very pleased with the impact of the new strategy on 2024 partner ordering and commitment and remain confident of achieving record US LiquiBand® revenue.





## A number of key initiatives in 2023 have set a strong foundation for growth over the next five years, supported by the transformational acquisition of Peters Surgical.

### Q What is the update on the launch of LiquiBandFix8®/LIQUIFIX™ in the US?

**A** 2023 was an important year for AMS's hernia mesh fixation device, completing a 284-patient clinical study, US approval and an agreement with TELA Bio for the marketing and distribution of LiquiBandFix8® across the high-value US market under the brand name LIQUIFIX™. The US launch of LIQUIFIX™ is progressing very well with TELA Bio having completed an extensive training programme among its specialist hernia sales force and good progress across a number of significant Group Purchasing Organisation ('GPO') systems. The initial response from surgeons has been very positive and US orders received to date are ahead of expectations.

### Q What progress has been made on acquisitions?

**A** During 2023 the Group continued to strengthen its market mapping and pipeline of potential acquisitions with commercial synergies, strong R&D and manufacturing capabilities. AMS acquired Connexion on 1st February 2023 and, after the period end, AMS acquired SyntaColl and agreed to acquire Peters Surgical with completion, following Foreign Direct Investment review, expected in the middle of 2024.

In looking to continually improve our collagen expertise and capabilities, we acquired the assets of SyntaColl, a highly synergistic competitor, from administration and retained a number of its Production, Quality and R&D employees. With an existing revenue stream manufacturing Collatamp (collagen with gentamicin) for SERB Pharmaceuticals and a potential opportunity for XaraColl in the US, we expect SyntaColl to be profitable in the first year.

Peters is a leading global manufacturer and distributor of high-quality surgical closure devices including sutures, haemostatic clips, haemostatic clamps and internal glues. Headquartered in France, Peters was founded in 1926 and today employs approximately 650 people around the world.

Peters operates a fully integrated business model including R&D, regulatory and clinical affairs, device manufacture, distribution, commercial and after-sales service, with manufacturing in France, Thailand, India and Germany.

Peters sells products in over 90 countries with direct sales infrastructure in France, Belgium, Germany, Poland and India; and a hybrid sales model in the US. Peters generated revenues of €75.5 million in 2022 and €84.0 million in 2023.

### Q How has the Group's ESG strategy progressed during the year?

**A** We continue to make significant progress on our ESG activities, building on the foundations reported in our FY22 Annual Report, further developing our Net Zero Strategy and Pathway and agreeing key targets that will drive this activity, for example: to be Net Zero by 2045.

We also strengthened preparations for Climate-Related Financial Disclosures ('CFD') and, in conjunction with our ESG consultants, continue to progress this area.

In addition, numerous and wide-ranging ESG activities continue to take place across the Group driven by employee suggestions and actions, as well as Board and ESG Committee initiatives.

### Q What is the outlook for AMS in 2024 and beyond?

**A** Trading in 2024 started strongly with the Group's key drivers performing well. Management is particularly pleased with the orders received and commitment received from its US LiquiBand® partners since the new agreements were signed last year. This provides validation of the new route-to-market strategy and gives the Board confidence in achieving record US LiquiBand® sales in 2024.

The US launch of LIQUIFIX™ is underway with very good progress across a number of significant Group Purchasing Organisations ('GPO') systems in the US. AMS's commercial partner TELA Bio has completed an extensive training programme among its specialist hernia sales force and initial orders are ahead of expectations.

These promising US marketing initiatives, good progress in AMS's established non-US markets and ongoing geographical expansion means AMS is primed to generate double-digit revenue growth in 2024, in line with expectations, and is well placed for strong growth in the short, medium and long-term.

# Growth

**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 payers and deliver equal or better clinical performance to market-leading products.**

Link to risk

[1. Growth](#)

[4. Forecast](#)

[2. R & D](#)

[8. Cyber](#)

[3. Acquisitions](#)

→ For information on our [Principal Risks](#) see [Pages 63 to 65](#)

Key KPIs

- Revenue movement.
- Growth in EPS.

→ For information on our [Key Performance Indicators](#) see [Pages 22 to 23](#)



## Strategy in Action

### US LiquiBand®

**US LiquiBand® has been a key contributor to the success of the Group as it secured a significant share of the available market, but its lower growth in recent years prompted the Group to assess and streamline its routes to market and product offering in 2023 in order to drive much stronger growth going forward.**

The objective of the new strategy was to increase partner engagement and commitment by offering more product and brand differentiation, made possible by the acquisition of Connexion in 2023. The strategy also aimed to establish a stronger marketing platform to enable the recently launched LiquiBand® XL to gain traction in the US market through all three distribution channels, and to build on the success that the product had already achieved, further accelerating overall LiquiBand® growth.

This required us to secure new agreements with our hospital partners which would be designed to accelerate market share gains and build on the underlying momentum already established by AMS and its partners in this growing \$270 million market.

Unfortunately, US LiquiBand® revenue was significantly impacted in 2023 due to partner de-stocking, predominantly driven by contractual changes in inventory ownership and revenue recognition points but, by the end of 2023, our partners had completed the transition to the new agreements with no impact on end-sales. Customers and all three partners had resumed normal ordering patterns.

2024 is already seeing significant benefits from the new strategy in terms of partner ordering and commitment and the Group remains confident of achieving record US LiquiBand® revenues for the year and of achieving its medium-term aim of doubling its current US LiquiBand® revenues.



# Innovation

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

#### Link to risk

[2. R&D](#)
[9. Talent](#)
[6. Regulatory](#)
[10. Israel](#)

→ For information on our [Principal Risks](#) see [Pages 63 to 65](#)

#### Key KPIs

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

→ For information on our [Key Performance Indicators](#) see [Pages 22 to 23](#)

## Strategy in Action

### LiquiBandFix8®/ LIQUIFIX™

LiquiBand Fix8® was developed as a less traumatic solution for patients to fix hernia meshes inside the body in comparison to traditional sutures, tacks and staples and thereby reducing the risk of trapped nerves, post-operative pain and other complications.

LiquiBandFix8® continues to perform well in Europe and ROW with strong revenue growth and a growing presence in many countries.

For some years, the Group has been working toward achieving regulatory approval for the product into the bigger more lucrative US market and achieved several key milestones in 2023; completion of its 284-patient clinical study, gaining US approval, and signing up its marketing and distribution partner, TELA Bio.

LiquiBandFix8® will be marketed in the US under the brand name LIQUIFIX™ and the launch is progressing very well, with TELA Bio having completed an extensive training programme among its specialist hernia sales force and good progress having been made across a number of significant GPO systems in the US. The initial response from surgeons and from AMS's partner has been very positive and US orders received to date are ahead of expectations.

TELA Bio's rapidly growing sales presence in the US hernia repair market and its focus on new technologies complement AMS' strengths and aspirations to improve quality outcomes for patients and value for payers, makes it the perfect partner to launch and commercialise LIQUIFIX™ in the US.

There is significant excitement about LIQUIFIX™ in the US in 2024 and we are optimistic about its prospects for 2024 and beyond.



# Operational Excellence

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

Link to risk

3. Acquisitions

9. Talent

7. Supply

10. Israel

→ For information on our [Principal Risks](#) see [Pages 63 to 65](#)

Key KPIs

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

→ For information on our [Key Performance Indicators](#) see [Pages 22 to 23](#)



## Strategy in Action

AMS is committed to continually improving its customer service and consequently has been working on a programme of increasing and optimising its inventory levels with a view to improving its On Time in Full ('OTIF') % and reducing back orders. Consequently, the value of the Group's inventory has been increasing but is expected to stabilise at seven months of supply from the end of 2023 onwards.

On-Time-In-Full (OTIF)

88%

(2022: 87%)

This has resulted in improved OTIF and reduced back orders in 2023 with both measures trending towards further improvements in 2024.

Due to the high number of SKUs, from a supply-chain perspective, Traditional Closure (Sutures) is the most challenging part of the Group's portfolio. For this reason, this has been the main focus of the Group's initiative to increase and re-balance its inventories; this has resulted in increased OTIF and reduced back orders for this category which has contributed to much higher revenue growth in 2023 with solid growth in its core German market and much higher growth outside of Germany, with notable success in Eastern Europe and the US.

The agreement in March 2024 to acquire Peters Surgical significantly strengthens our Traditional Closure portfolio and routes to market and the Group expects strong sustainable growth from the category going forward.

The RESORBA® collagen portfolio has very different characteristics, with a much smaller suite of products that have significantly higher technical and quality challenges



given the animal-derived and often drug-eluting nature of the product that had an element of supply risk from our existing collagen factory.

In looking to continually improve collagen expertise and capabilities, on 1 March 2024, AMS acquired the assets of Syntacoll, a highly synergistic competitor in this space that specialises in manufacturing collagen-based absorbable surgical implants in a 4,800m<sup>2</sup>, Good Manufacturing Practice ('GMP') compliant, state-of-the-art collagen facility with a class 1 licence for collagen-based drugs.

Syntacoll has significant in-house capability in drug-loaded collagens as well as analysis, profiling and quality control processes which will help to strengthen the Group's existing collagen business. The new manufacturing facility will also be a second site of manufacture for some of AMS's existing key products which will help to address the risk of sole supply.





# People and Culture

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

Link to risk

9. Talent

10. Israel

→ For information on our [Principal Risks](#) see [Pages 63 to 65](#)

Key KPIs

- Employee attrition.
- Employee Engagement Score.

→ For information on our [Key Performance Indicators](#) see [Pages 22 to 23](#)



## Strategy in Action

### Employee Engagement

AMS focuses strongly on employee engagement and is now in its third year of running a comprehensive Group wide survey for all employees in conjunction with Culture Amp. The results from each year are used to drive year-on-year improvements by focusing on areas raised by the employees themselves.

Each department analysed the results of the 2022 Employee Engagement Survey and created initiatives and action plans for improvement during 2023.

The senior management team chose 'AMS Group is a great Company for me to make a contribution to my development' as its area of focus for engagement for the year which involved focused work on Development, Role Definition, Individual Performance, Values and Recognition for individuals in the business.

The 2023 Employee Engagement Survey was completed in Q4 2023 with an increased participation rate of 80% of employees and each department will again use these results to drive further improvement in 2024.

Engagement survey participation

80%

(2022: 74%)

Employee attrition rate

12%

(2022: 13%)



# Growing Sustainably

Meeting the changing needs of a reducing resource landscape, operating ethically and responsibly whilst developing our products to fit into a circular economy.

Link to risk

2. R&D

9. Talent

→ For information on our Principal Risks see Pages 63 to 65

Key KPIs

- % of revenue spend on R&D & Innovation.
- Employee Engagement Score.

→ For information on our Key Performance Indicators see Pages 22 to 23

## Strategy in Action

### Our Growing Sustainability strategy

As we integrate our Net Zero strategy we are focused on ethical and sustainable growth, taking into consideration our customers, competitors, costs, communities and culture, and allowing us to meet future global challenges. Sustainable growth is endorsed at the highest level as we strive to deliver new technologies, innovative products and reach our Net Zero objectives.

Sustainable growth begins as part of the R&D process for all new products. In order to deliver this we need to understand our social, environmental, and economic responsibilities. In addition to integrating sustainability into innovation and operational excellence, energy reduction, recycling and manufacturing techniques are also critical areas of focus. We recognise that integrating sustainability into our people and culture will have a significant impact, both internally and outside of AMS.

Having the correct tools and knowledge to make sustainable growth decisions is key. Climate risk must be proactively assessed and managed. Providing our teams with knowledge and empowering them to make sustainable decisions can both allow AMS to grow sustainably and provide a competitive advantage.

As well as supporting internal development we also consider our external stakeholders and how we can meet their ever increasing and diversified expectations, as the world becomes more aware of the benefits of sustainable systems and growth.

We consider our customers' current needs, how those may evolve in the future and consider that a competitor today could be an ally tomorrow. Through building strategies to reduce expenses and improve end-user experience, we are developing a reputation as a good corporate citizen with a change-adaptive culture.

As a continually developing and evolving business we act in an ethical and responsible manner to guarantee resources are there for both our current and future communities. We ensure that all activities we undertake can be repeated tomorrow and into the future, with minimal waste and impact on resources. By developing and repeating our processes across the Group at a multitude of locations, we aim to meet these risks head-on and view this as a key to longevity within the medical device market.

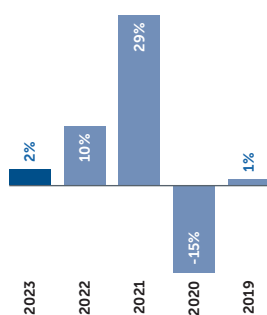
# Our Key Performance Indicators

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> %

**+2%**



### Definition

Net revenue (% movement) adjusted for constant currency<sup>1</sup>.

### Strategic linkage

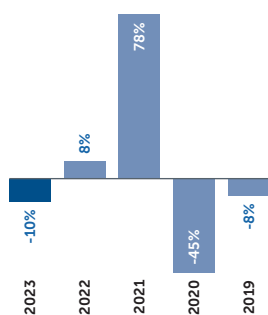
Revenue growth is a key factor in providing long-term value for our shareholders and demonstrates the successful execution of the Group's strategy.

### Progress made in the year

Group revenue increased to £126.2 million (2022: £124.3 million), an increase of 2%, both reported and at constant currency, driven by strong organic growth partly offset by de-stocking of US LiquiBand® and reduced royalties.

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

**-10%**



### Definition

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

### Strategic linkage

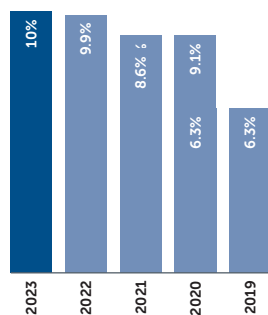
EPS growth is a measure of financial progress and an important factor in our aim of providing value for our shareholders.

### Progress made in the year

Adjusted diluted earnings per share decreased by 10% to 9.39p (2022: 10.47p) reflecting the Group's lower earnings after tax. Diluted earnings per share decreased by 22% to 7.25p (2022: 9.30p), as margins were impacted by the temporary reduction in US LiquiBand® revenue and lower royalty income.

% of revenue spend on R&D & Innovation

**10%**



### Definition

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

### Strategic linkage

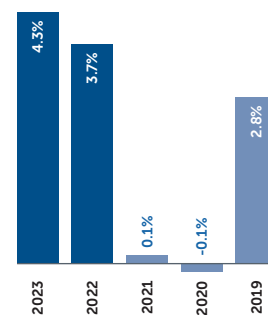
As a developer of innovative and technologically advanced products, investing resources in this area is critical to fulfilling the strategic goals of the business.

### Progress made in the year

AMS continued increased investment in innovation and regulatory to £12.6 million of gross R&D spend in the period (2022: £12.3 million) representing 10.0% of sales (2022: 9.9%).

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

**+4.3%**



### 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

The standard cost base increased by 4.3% in 2023 (2022: 3.7%) despite operational improvements. This increase was driven by inflationary factors and planned inventory stabilisation (following the inventory build in recent years). We plan for this to fall in 2024 as inflation eases and the actions taken in 2023 are annualised and built on.

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 £4.9 million (2022: £3.4 million) and the movement in long-term liabilities recognised on acquisitions which was a credit of £0.2 million (2022: £0.8 million credit) and exceptional items which were £nil (2022: £nil), as reconciled in the Financial Review (see pages 58 to 60).

3. Net cash consists of cash and cash equivalents with nil debt (2022: £nil debt).



Strategic pillars:



Growth



Innovation



Operational Excellence



Culture

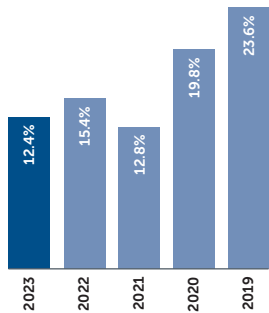


Sustainability

Non-Financial KPIs

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

12.4%



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

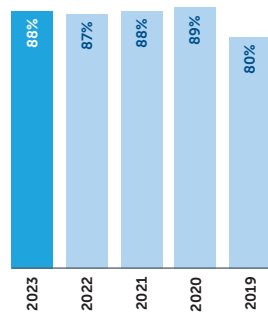
Development and commercialisation of new products to address unmet patient needs and grow the business is a fundamental part of strategy.

Progress made in the year

As a result of a number of products falling outside the five year period, sales of new products decreased to 12.4% (2022: 15.4%). The new distribution agreements signed in 2023 for US LiquiBand are expected to drive an increase in 2024 and beyond, with LiquiBand® XL growth and the launch of LiquiBandFix8® expected to contribute further.

Customer Service (OTIF) %

88%



Definition

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

Strategic linkage

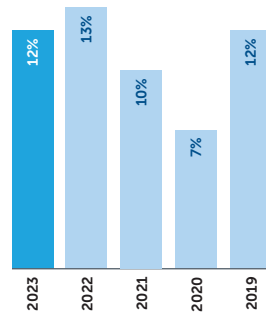
High OTIF ensures that patients have access to our products and enable us to retain customers, meet contractual commitments and protect growth.

Progress made in the year

OTIF improvements were delivered in most product categories with an increase to 88% (2022: 87%). Most notably sutures OTIF improved and back orders reduced, which was a significant factor in supporting accelerated growth in Traditional Closure. It is expected that ongoing initiatives, including increasing inventory levels, will enable us to target higher OTIF levels for 2024 and beyond.

Employee attrition %

12%



Definition

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

Strategic linkage

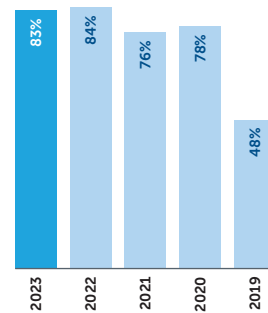
Reasonable levels of employee turnover are important for the future success of the business and to help to embed its' culture. It can be considered beneficial, supporting new ideas and to introduce best practices from outside the Group.

Progress made in the year

AMS continues to attract quality talent and attrition decreased to 12% (2022: 13%), despite cost of living challenges and labour mobility. Increased employee engagement and communication, together with the growth and career development opportunities created by recent acquisitions, are expected to keep attrition manageable.

Employee Engagement Score %

83%



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 2023 was 83% (2022: 84%) at the same time as participation increased to 80% (2022: 74%). We used Culture Amp software for engagement feedback which will help to implement tangible plans to maintain engagement. We are particularly proud to maintain the engagement level given some difficult messages we have delivered to employees about company performance.

# Embedding a sustainable and ethical approach in everything we do



## Message from our Board

"ESG is a focus area for our stakeholders and we continue to devote significant time and resource to our ESG strategy. Building an innovative, sustainable and resilient business is more important than ever, and as we continue to grow we must do so in a sustainable way by reducing our emissions (having set a Net Zero target of 2045), improving our products and packaging and ensuring we achieve this with an ethical approach as a diverse and inclusive business. We are striving to deliver sustainable environmental, financial and social value, responsibly."

**Eddie Johnson,**  
Chief Financial Officer & ESG Lead

- A** Advancing sustainability
- M** Minimising environmental impact
- S** Socially responsible

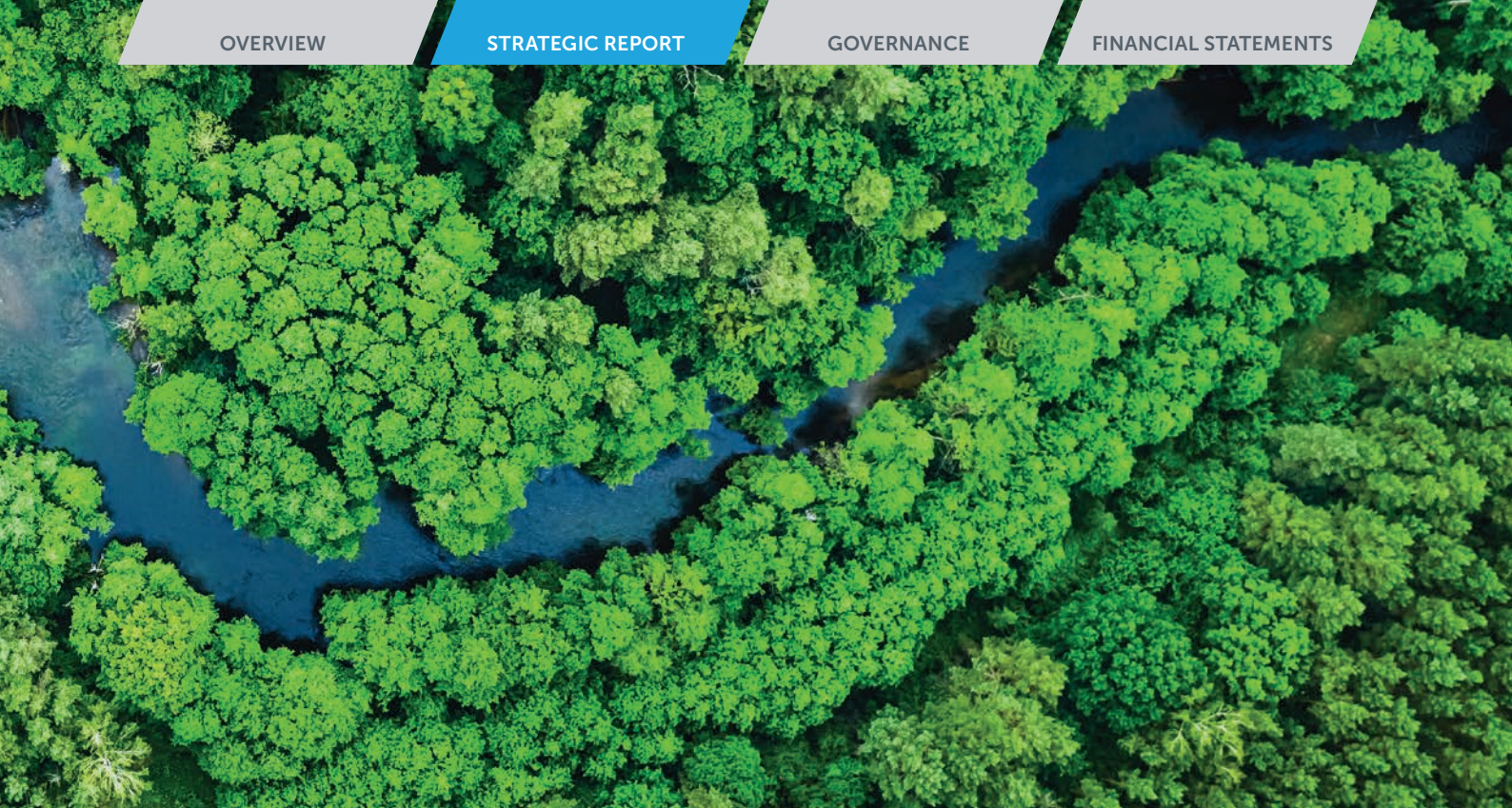
**AA**  
MSCI ESG rating

**Net Zero**  
carbon target - 2045

**70%**  
renewable/low  
carbon energy mix  
(inc nuclear)  
(2022: 46%)

**83%**  
Positive or neutral  
responses based on the  
external benchmark of  
our Engagement Score





## ESG Principles



## ESG Governance and Integration

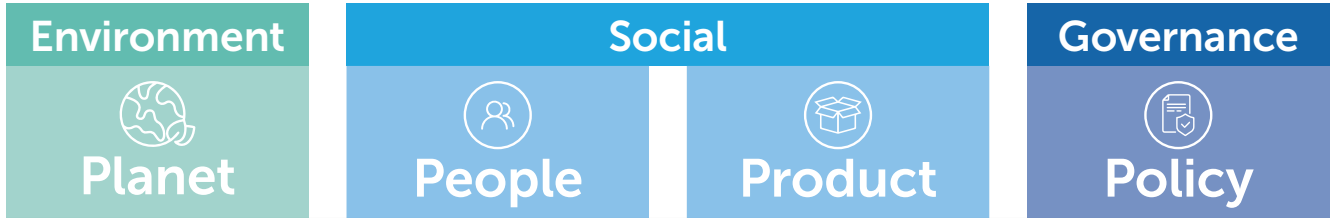


# Environmental, Social and Governance

continued

## ESG Framework

Building on engagement with stakeholders and our understanding of our most material ESG sustainability issues, we have developed a strategic framework aimed at delivering sustained environmental, financial and social value.



### 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, reuse 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



### Our ESG Framework is built around our Mission:



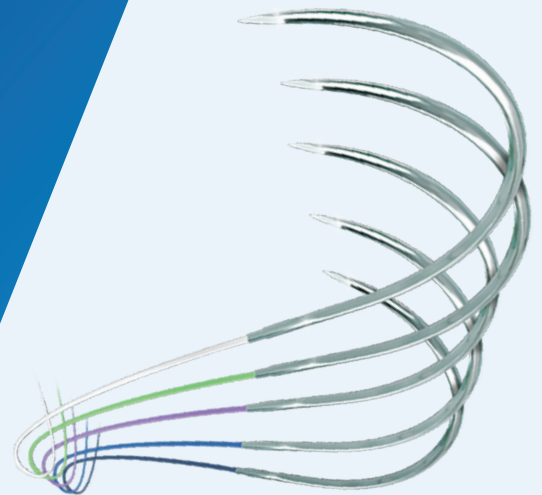
CASE STUDY

# Development and installation of improved technologies

In 2022 our Neustadt site in Germany began to plan for the introduction of a new sterilisation unit to replace an aged unit that had serviced the site for over 25 years. This project involved multiple work streams from EHS, Operations, Regulatory, R&D & Quality teams. The brief was to install a modern, future-state system with capacity for business growth, that is more energy efficient and operates in a more sustainable way.

AMS, along with its' chosen supplier, have installed a system with six times the capacity of the old system, but with technological advances and processes. These have removed the need for contaminated water to be collected and sent for further processing as the waste product has been removed. There is also a reduction in ethaline oxide concentrations needed which makes this sterilisation system energy efficient and sustainable in use:


- Reduction in Ethylene Oxide strength from 15% to 5%.
- Local environmental permit allowing operation issued with no conditions placed on AMS.
- Zero Health & Safety events reported during the project.
- Zero environmental incidents reported within the project.
- Zero complaints from neighbouring businesses and/or other local area users.



 Link to Our Growing Sustainably Strategy. For more information see Page 21 

## 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, Employee Assistance Programme, flexible working).</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)

# Carbon Reduction Plan

## Emission reduction targets

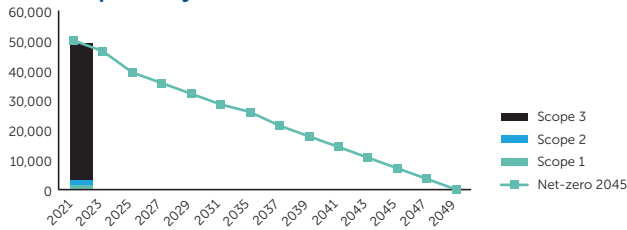
AMS aims to achieve Net Zero Scope 1, 2 and 3 emissions by 2045, compared to a 2021 baseline.

In order to continue progress to achieving Net Zero, we have adopted the following carbon reduction targets.

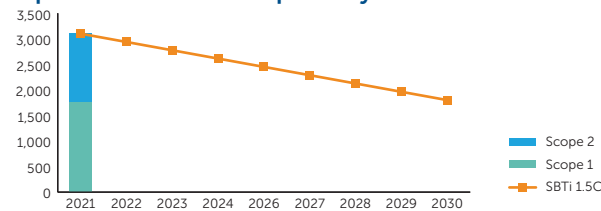
- 42% reduction in Scope 1 and 2 GHG emissions by 2030
- 72% of suppliers to have science-based targets by 2028
- Reduce Category 12 – End-of-Life Treatment of Sold Products GHG emission 30% per tonne product sold by 2033

We project that Scope 1 and 2 emissions will decrease over the next five years to 2,066 tCO<sub>2</sub>e by 2028. This is a 33% reduction compared to our base year of 2021.

### Net Zero pathway

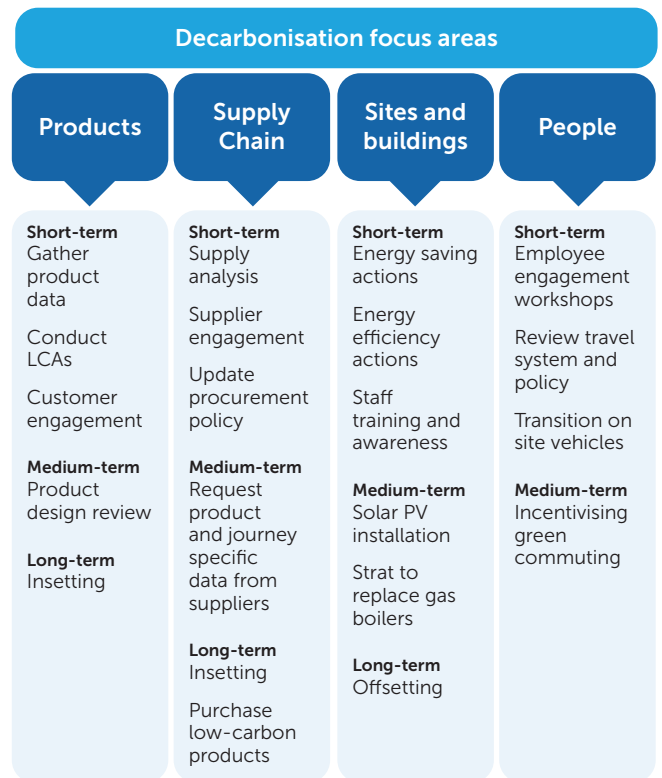


### Scope 1 and 2 near-term pathway



Four focus areas have been identified to action AMS's emissions, and short-, medium-and long-term actions for each focus area have been set out. Actions have been mapped for each focus area to ensure near- and long-term targets can be met.

## Decarbonisation Roadmap Summary



## Recognition



'AA' rating in the MSCI ESG Ratings assessment



Assessed to be at 'Low Risk' of experiencing material financial impacts from ESG factors by Sustainalytics - Top 5% of Healthcare companies



Achieved Silver Sustainability rating from EcoVadis - Top 25% of companies



We maintained and developed ISO 14001 and 50001 Certification



In 2023 we published the Carbon Reduction Plan, setting out our commitments to reach Net Zero by 2045. To achieve our target, we require a 90% reduction in Scopes 1, 2 & 3 emissions (3.75% annually against our 2021 baseline year). The final 10% of emissions require investment in low carbon activities and manufacturing processes, using sustainable offsetting and insetting within our own value chain.

Our work on Net Zero and Carbon Reduction is a key part of our ESG Strategy, but only part of a wide range of activities for which we have gained positive recognition (as outlined below). We continue to work to implement all areas of our ESG Strategy and our ESG Lead has addressed some key ESG issues in his Q&A (see right).



We have a culture based on the principles of Care, Fair, Dare, where our people take accountability and responsibility and, like our approach to ESG, do the right thing.

**Sedex** Member

We are a Sedex B membership and worked towards the ETI basecode

## Q&A

with

**Eddie Johnson,**  
Chief Financial Officer  
and ESG Lead



### Q How would you summarise progress on ESG?

A AMS has continued to make positive progress on ESG, building on the foundations reported last year, further developing our Net Zero Strategy and agreeing key targets that will drive this activity, for example: to be Net Zero by 2045. AMS has also strengthened its preparations for Climate-Related Financial Disclosures ('CFD') and in conjunction with our ESG consultants, will continue to progress this area. There are also numerous and wide-ranging ESG activities driven by employee suggestions and actions, as well as Board and ESG Committee initiatives.

### Q How will you further strengthen your ESG commitments in 2024?

A Our commitment to sustainable business practices on important topics such as human rights, environmental stewardship and ethical behaviours extends to all those we work with – colleagues and through our global supply chain. At AMS, we are committed to building stakeholder trust and confidence by meeting standards that demonstrate our ESG commitments. To further demonstrate this to stakeholders we will join the UN Global Compact in 2024.

### Q Is Equality, Diversity, Inclusion still a focus?

A We further strengthened Board diversity with the appointment of a new Chair at the beginning of 2024. While we focus on recruiting on merit, it is the Board's intention to work towards both gender and ethnic diversity in line with external targets. We are committed to drive equality, diversity, inclusion across AMS and recognise that if we harness the power of our differences and encourage diverse thinking we can deliver more for our stakeholders. We help our colleagues around us grow, develop and thrive, so they can fulfil their potential as we build a diverse workforce.

# 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.

Emissions per £k sales

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

Scope 1 (direct)/Scope 2 (indirect) emissions intensity

(2022: 19.51 CO<sub>2</sub>e per £k sales)

**0.96** tons/employee

total waste

(2022: 0.92 tons/employee)

**2,486,522** kg CO<sub>2</sub>e

Scope 1 and 2 emissions

(2022: 2,268,009 CO<sub>2</sub>e)

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

total water usage

(2022: 38m<sup>3</sup>)

**70%**

reduction year-on-year Scope 1&2 energy use

(2022: 11% increase in units)

**0%**

waste to landfill

(2022: 0%)

### Highlights

Completed ESOS Phase 3 audits across UK sites.

Continued investment in Heating, Ventilation, and Air Conditioning (HVAC) to maintain zero F-gas losses.

Increase in Scope 1 emissions due to a site which is not on the main line using fuel oil at the same level as 2021. Electricity use at this site also increased and our solar panels at Plymouth were not as efficient as 2022. Our Carbon Reduction Plan can be seen on Pages 28 to 29.

Continued to develop and ingrain our ISO Management Systems at our certificated locations.

Developed and published our Carbon Reduction Plan endorsed at the highest levels.

Continued with our electric car lease scheme in the UK and electric bike schemes in Germany. All pool cars in the UK changed to either plug in hybrid or electric.

Developed our risk and mitigations around our CFD reporting.

Reduced year-on-year energy requirements based on UK location based conversion factors.

Reviewed and developed internal waste recycling processes across several locations.

Encouraged employee participation in ESG activities and idea generation.

### Looking forward

- Develop data reporting systems moving to proactive energy management and resource forecasting.
- Review and where applicable develop our metrics to show developing and emerging trends and react to stakeholder questions.
- Continuing our waste review process, look at where waste can be repurposed into the circular economy.
- Work on our opportunities for energy reduction, increasing our sustainability and meeting our Net Zero commitments, internally with our customers and within in supply chains.





# 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.



**80%**

employee engagement survey response rate

(2022: 74%)

**83%**

positive or neutral responses based on the external benchmark of our Engagement Score<sup>1</sup>

(2022: 87%)

**0**

reported incident of discrimination

(2022: 0)

**29%**

invested in the Employee Share Plan

(2022: 21%)

**2**

Lost Time Incidents ( 'LTIs' ) >7days)

(2022: 4)

**3.04**

H&S (AMS Accident Incident Rate)

(2022: 3.3)

## Highlights

The actions progressed from the **employee engagement survey** in 2022 resulted in positive results in the 2023 survey. Positive or neutral responses fell in 2023, although the fall was not significant considering the challenges faced in 2023.

Completed two SEDEX/Smeta ethical-based audits within our estate and received no adverse reports.

Completed EDI/Unconscious bias training across Group, utilising an interactive platform to test understanding of the topic as they progressed through the topic.

Celebrated World H&S Day with several events around sites promoting safety, wellbeing and developing Environment, Health and Safety ('EHS') knowledge.

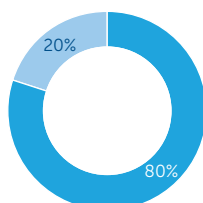
## Looking forward

- Further expand our support for the mental wellbeing of our employees. Continuous review of our benefits proposition.
- Increase training and development budget to develop key staff.
- Focus on building our approach to charitable giving and engagement by development of the Communities Strategy.
- Further expand work and profile of Altogether AMS, our Diversity and Inclusion Programme, and EDI Committee. Board refreshment indicates progress at the highest level.

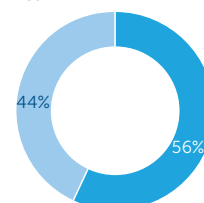
## Employee gender diversity

■ Female ■ Male

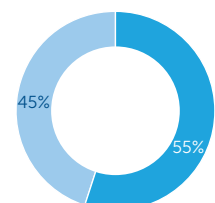
Board



Senior Management Team



Employees



1. As defined by the Culture Amp software.

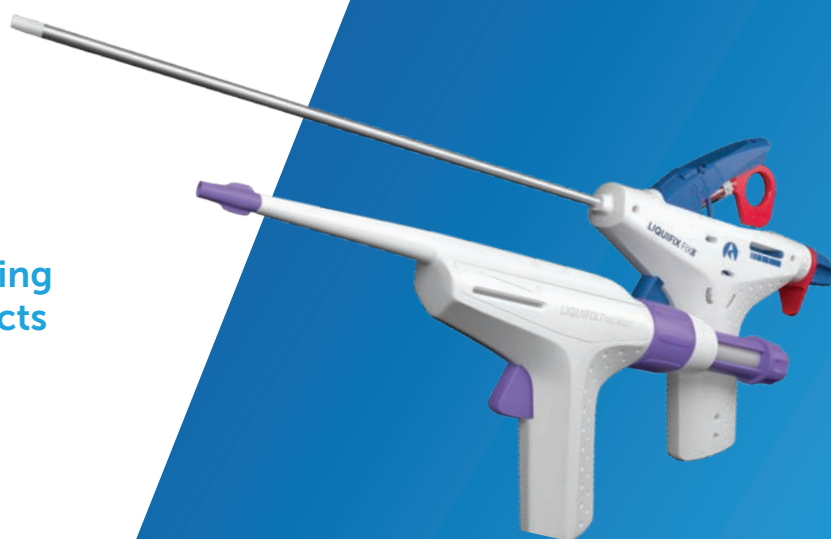
# Environmental, Social and Governance

continued



## Product

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



### £12.6m

dedicated investment in R&D

(2022: £12.3m)

### 10%

of revenue spend on R&D and innovation

(2022: 9.9%)

### 1

new product released in 2023

(2022: 2)

### 95%

of key<sup>1</sup> materials suppliers met with, visited and/or audited in the past year

(2022: 98%)

### 0

deaths caused in the market by AMS products

(2022: 0)

### Highlights

Began engagement in the supply chain and reviewing potential short-to-medium and long-term risks through the CFD process.

The CFD process has enabled us to identify and exploit potential opportunities within our supply chain.

Completed processing of customer and supplier data to deepen our understanding of our supply chain's Net Zero and sustainability objectives.

Engaged successfully with several customers from across the globe in their Net Zero, ESG and sustainability studies.

Shared our Ethical audit and EcoVadis reports with customers.

### Looking forward

- Develop a plan for lifecycle analysis to begin (this is crucial in NHS plans and we expect increased customer requests).
- Plan, prepare and complete a Modern Slavery Assessment using the Modern Slavery Assessment Tool ('MSAT').
- Launch our combined code of conduct and commitment charter.
- Share with our customers and suppliers our carbon Reduction Plan and our new ESG reporting areas on the AMS website.
- Develop working relationships with customer sustainability teams to see how AMS and our customers/suppliers targets support each other.
- Look at developing new technologies that reduce resource requirements, can be produced via sustainable methods, and could be developed to fit into a circular economy.

1. 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.



**0** fines  
and non-monetary sanctions from  
non-compliance with environmental laws  
and/or regulations

(2022: 0)

**4**  
ESG Steering Committee Meetings  
held during 2023

(2022: 5)

**0**  
reported incidents of human rights  
violations in our supply chain

(2022: 0)

**£0**  
spend on political campaigns,  
lobbying or think tanks

(2022: £0)

**0** incidents  
of bribery,  
corruption or fraud

(2022: 0 incidents)

**0**  
whistleblowing  
reports

(2022: 0)

## Highlights

**Continued adherence** to the UK Corporate Governance Code, explaining where AMS does not comply with the Code (see Pages 76 to 77).

Appointment of Liz Shanahan as Chair and progressed through appointment process for a new Non-Executive Director, which will further diversify the Board.

ESG Steering committee supporting, developing, and putting in place sustainable actions within AMS, including the completion and compliance with CFD reporting.

Review, updating and issuing of several policies that have been uploaded and shared to customers and other stakeholders on request.

Continual development of our Health & Safety and Environment & Energy policies.

Compliance training rolled out Group-wide and further expanded to include environmental considerations.

Successful ISO 50001 and ISO 14001 audits at a number of sites.

## Looking forward

- Risk-based assessment on the development of Energy and Environmental ISO-certificated locations.
- Continual engagement with the SEDEX and EcoVadis Platform, giving us the ability to centrally control data and share successes with those parties we share our data with.
- Develop and refine our CFD risk and opportunity registers and develop our short-to-medium-and longer-term mitigation plans.
- Continuation of integrating AMS processes and policies as well as operating expectations into our new acquisitions.
- Formally sign up to the UN Global Compact which commits us to standards on human rights, labour standards, environmental goals and anti-corruption.

# Environmental, Social and Governance

continued

## Becoming a more sustainable business.

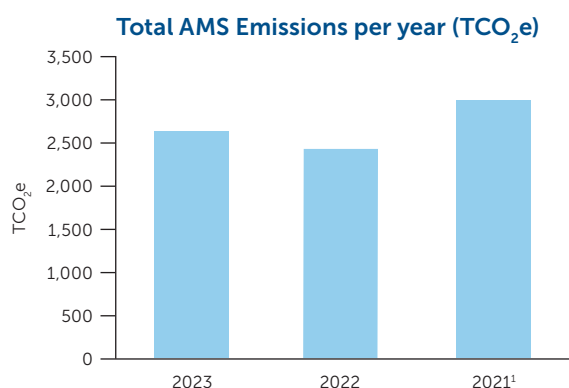
### Environmental Review of 2023

In 2019 AMS completed its first Streamlined Energy and Carbon Reporting ('SECR') review and set its SECR reporting baseline. Although we have seen small increases in total emissions against 2022, we are starting to see our investments in energy reduction techniques show results, with an 11% reduction in energy consumption (gas & electric kWh consumed).

AMS relies on Natural gas in several locations and fuel oil within one site in Germany, a fuel oil increase of 73% in emissions through increased use on 2022 figures. AMS has identified gas and fuel oil use as a key area to look at in 2024 and beyond.

Our new reporting process, using a cost-based review of Scope 3, increases the levels of emissions. This can be seen in our Carbon Reduction Plan and can be viewed on our website [www.admedsol.com](http://www.admedsol.com). This plan will support our improvements and reductions.

Our high-level findings for 2023 are presented below.



### Environmental Impact

We have seen increases in emissions from gas and oil, and an overall increase in the use of electrics that has is in contrast to other areas such as reduction in business travel, zero F-gas emissions. Our gross emissions are still lower than calculated for our SECR reporting baseline of 2019 with 6% reduction in emissions (TCO<sub>2</sub>e).

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

Year	Total Scope 1,2 & 3 (TCO <sub>2</sub> e)
2023	2,628.37
2022	2,425.31
2021	2,981.22
2020	1,899.00

### Environmental Development

In 2023 we committed to establishing a Net Zero target and developing actions around carbon reduction; this has been achieved and in Q2 2023 we published our first Carbon Reduction Plan making this publicly available on our website.

We have further developed our Environmental and Energy Policies which drive our ambitions and ensure that environmental and energy reduction are built into our projects (highlighted by the Case Study on new sterilising system technology in Germany (Page 27). We have continued to see an increase in customer and other stakeholder requests around environmental data, which we have responded to comprehensively. We have completed our first EcoVadis submission, providing a more efficient way to share ESG data and, in the long-term, allow us to see the progress suppliers, customers and other linked parties are making in their environmental and sustainability journeys.

### 2023 Targets

No breaches of environmental permits or consents	<b>Achieved</b>
Set Net Zero target date and publish Carbon Reduction Plan	<b>Achieved</b>
Retain and develop ISO 14001 and ISO 50001 programmes	<b>Achieved</b>
Compliance with changes around packaging process and procedures	<b>Achieved</b>
CFD reporting and compliance	<b>Achieved</b>

### Future development

Our future developments revolve around progressing our ambitions set out in our Carbon Reduction Plan:

- Engagement with our customers and suppliers around their specific Net Zero ambitions.
- We plan to develop the works around our CFD opportunities and risk mitigation processes. If we can realise our opportunities, we should be able to reduce our risks.
- Develop our sustainability programme based around our EcoVadis action plans.
- Develop plans for life cycle analysis as this is an area where we need to develop our actions and responses.
- Work with our suppliers and customers using the principle that we can support each other with carbon reduction plans. We are all intrinsically linked as part of each other's Scope 3 emissions (those out-side of our control and upward and downward supply chain systems).

By the end of 2024 we hope to report our Scope 3 emissions are falling in line with base year Scope 1 and Scope 2 processes.

The work we have done to increase sustainable awareness, developed our systems to fit more into the circular economy 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 our SECR reporting requirements, we report within AMS's 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.

# Environmental, Social and Governance

continued

The table below covers the total emissions from AMS activities for all locations in 2023, it also offers a comparison to both 2022 and our base year data 2020.

Emissions type/scope	Yearly comparison (kg CO <sub>2</sub> e)			Commentary
	2023	2022	2021	
<b>Total Scope 1 (kg CO<sub>2</sub>e)</b>	<b>1,340,831</b>	<b>1,272,869</b>	<b>1,726,938</b>	
Natural gas (kg CO <sub>2</sub> e)	978,472	996,411	899,415	Gas emissions based on usage in all but one geographical location
Gas oil (kg CO <sub>2</sub> e)	125,489	33,626	145,425	Emissions through use of oil powered heating and supply system in one AMS location
AMS Company cars (kg CO <sub>2</sub> e)	236,870	242,832	248,891	Emissions generated from AMS owned vehicles, this is combined petrol, diesel, hybrid and electric emissions
F-gas loses (kg CO <sub>2</sub> e)	0	0	433,207	Emissions captured through F-gas loses across AMS systems (HVAC systems upgraded in 2022)
<b>Total Scope 2 (kg CO<sub>2</sub>e)</b>	<b>1,145,691</b>	<b>995,141</b>	<b>1,111,481</b>	
Location based electricity (kg CO <sub>2</sub> e)	1,145,691	995,141	1,111,481	Electricity emissions based on use in each geographical location
<b>Total Scope 3 (kg CO<sub>2</sub>e)</b>	<b>141,849</b>	<b>157,301</b>	<b>142,798</b>	
Electricity, transmission and distribution loss (kg CO <sub>2</sub> e)*	99,120	91,033	97,136	Covers loses within network and usage
Water in (kg CO <sub>2</sub> e)	5,818	5,009	4,501	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)*	17,796	40,997	19,751	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)	19,115	20,262	19,130	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>2,628,371</b>	<b>2,425,311</b>	<b>2,981,217</b>	
Intensity measure -(EK Sales) (kg CO <sub>2</sub> e)	20.83	19.51	27.45	kg CO <sub>2</sub> e emissions per £ of sales
Intensity measure - Eaches (kg CO <sub>2</sub> e)	0.08	0.08	0.03	kg CO <sub>2</sub> e emissions per unit (eaches) produced
Intensity measure - Percentage of waste to landfill (% T)	0	0	2.2	Percentage of waste that cannot be recycled, further processed but has to go to landfill
Intensity measure - Percentage of Energy from renewable sources (%)	70	46	51	Percentage of Electricity from renewable sources (inc Nuclear), with contract renewals driving improvement
<b>Renewable energy excluding Nuclear (%)</b>	<b>29</b>	<b>22</b>	<b>30</b>	

1. Raleigh included for first time in 2021.

2. COVID-19 impacted year.

# Non-Financial and Sustainability Information Statement

## Climate-related Financial Disclosures Report

### Opening Statement

The Companies (Strategic Report) Climate-related Financial Disclosure (CFD) Regulations 2022 (the Regulations), require certain publicly quoted companies and large private companies to incorporate climate disclosures in their annual reports. As a company with more than 500 employees, which is listed in the Alternative Investment Market (AIM), Advanced Medical Solutions is captured by the Climate-related Financial Disclosure (CFD) Regulations and is required to implement the reporting recommendations.

In 2023, we have complied with all eight of the reporting disclosure requirements of CFD. We are currently working to further understand our emissions and climate change KPIs, before setting further targets.

### Overview

Advanced Medical Solutions Group plc (AMS) is a UK-based world-leading specialist in tissue-healing technologies. It operates globally, with over 850 employees. Its operations include manufacturing, sales, and R&D, spread across multiple countries, including the UK, Germany, France, Ireland, and the Netherlands.

The coronavirus pandemic has highlighted the importance of the resilience of the healthcare sector, including its providers. Similarly, climate change poses a tangible financial risk to the business and to local communities, which highlights the importance of preventing global warming from reaching threatening levels. AMS is committed to understanding the physical and transitional climate-related risks to the company, developing and implementing long-term business strategies, and introducing green initiatives into our daily operations.

This financial year, we have followed the guidelines of the CFD Regulations, that relies on the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD), for the first time to evaluate the company's climate-related risks and opportunities. Operating in a sustainable manner is very important to the Group, aiming to make year-on-year progress, as part of our target to become Net Zero by 2045 as a global business. For additional details, see Page 45, in our Metrics & Targets section.

### Governance

Environmental, Social and Governance (ESG) matters extend to all areas and levels of the business. It is ingrained within our Board structures, and our governance framework is further fortified by Committees comprised of employees engaged in diverse ESG activities. Our staff, empowered to initiate and propel enhancements, play a pivotal role. Engagement at all levels is essential for attaining our objectives.

Our Board of Directors has full responsibility for all ESG matters. In 2021, the Board established our ESG Steering Committee to guide our ESG strategy, and its implementation, and to manage our climate reporting. The Committee identifies, assesses, and manages climate-related risks and opportunities. The Committee communicates directly with the Board to update them on climate-related risks and opportunities, progress of mitigation plans, and new ESG regulatory changes. The members of the Committee include the Chief Financial Officer, the Company Secretary, the Group Health and Safety Manager, the Group Operations Director and several other Senior Managers from operations, supply chain, sales and marketing, and meets at least quarterly.

During November 2023, the ESG Steering Committee held two climate workshops with third-party ESG consultancy, Inspired ESG. The workshops included training and a materiality assessment of the climate risks and opportunities. The work in these workshops later produced our climate risk register. In 2024, our priority will be to assign risk owners with the responsibility to manage our response to each risk, and to expand the risk register further to include a value-based estimate, which will help us in our financial planning.

This financial year, the Board reviewed the climate-related risks and opportunities in October and December. The Board signed off on the climate risk register, prepared by our ESG Steering Committee and our ESG consultancy, Inspired ESG. Furthermore, Inspired ESG held a training session for our Board that covered information about global warming, policy and legal actions, and climate risks.

Since August 2023, climate risk has been regularly discussed in Board meetings and in December 2023, the Board signed off on the climate risk register.

### Remuneration

Starting in 2022 and continued into 2023, to drive our ESG objectives forward, delivery of ESG targets was included in the personal objectives for our Executive Team. This ensures that our Senior Managers are committed to reducing the business carbon impact and aligning business actions with the latest climate goals.

# Non-Financial and Sustainability Information Statement

continued

## Risk Management

Navigating the current post-COVID landscape, further influenced by the conflicts in Ukraine and the Middle East, we persist in integrating a thorough and methodical approach to risk management throughout our operations. We are convinced that recognising and addressing key risks, will underpin the success and longevity of AMS across the short, medium and long-term horizons.

The Business Units, Senior Management Team (SMT), Audit Committee and the Board review risks throughout the financial year. These risks are documented in the Risk Register, which is formally reviewed by the SMT and the 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. It was noted that we need to incorporate climate risk into this process with the emergence of threats to our operation from climate change.

A robust methodology is used to identify key risks across the Group. This is a continuous four-stage process, conducted in accordance with the relevant provisions, outlined in the UK Corporate Governance Code.

**Figure 1: AMS Risk Management Cycle**



## Identifying, assessing, and managing climate-related risks.

In 2023, we worked with Inspired ESG, an ESG consultancy, to perform an assessment of the impact climate risk may have on our physical sites globally. Also, we explored the risks associated with the transition to a decarbonised economy.

The climate-related risks were identified at the company level by first considering all risks that the TCFD suggested, followed by two risk-scoring workshops to identify key material risks. Subsequently, we determined the risks that were material to AMS's operations. The climate-related risk identification discussions were held in two workshop sessions, in conjunction with climate change training for our teams, to ensure that they consider climate change in their day-to-day work, from material sourcing to energy usage. The risk scoring was subject to the same methodology we use to rate business risks, assessing the likelihood and significance as follows:

**Table 1: AMS risk significance and likelihood rating**

Significance rating from 1-5 Likelihood rating from 1-5

5	> £20m
4	£10.1m - £19.9m
3	£3.1m - £10.0m
2	£1.0m - £3.0m
1	< £1.0m

5	> 70% - 100%
4	> 50% - 70%
3	> 30% - 50%
2	> 10% - 30%
1	< 10%

Climate-related risks that were rated four and above in either likelihood or significance were deemed material and therefore are heightened risks to monitor and manage. Material risks were evaluated, to identify the root causes, financial, and non-financial impacts. Then, effectiveness, adequacy of controls and mitigating actions are assessed, and if additional controls or actions are required, these are identified, and mitigation steps are assigned to the relevant teams.

We have controls in place to limit the financial exposure of climate-related risks. In 2024, we will assign risk owners to the individual risks. Assigning risk owners who will lead the mitigation plans and assist in implementing our Net Zero Plan by 2045. This will ensure that our risk controls, align with delivering our carbon reduction ambitions.

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. Climate risk is reviewed as part of this process.

This year, as agreed by the board, climate change was not identified as a principle or emerging risk, because of the low likelihood assigned to it by our ESG Steering Committee. Thus, our climate risk register and our normal risk register were monitored separately. In 2024, we will assess if climate change should be incorporated as an individual risk in the business risk register or reviewed as an emerging risk. This will be determined by the SMT and the ESG Steering Group according to the financial materiality assessment we will conduct in 2024.



## Strategy – Building Climate Resilience into Business Strategy

In 2023, AMS conducted a comprehensive analysis to determine the climate-related risks relevant to our business. To guide our risk analysis, we partnered with an ESG consultancy, Inspired ESG, to conduct climate change training for our employees and to incorporate a rigorous risk analysis on various parts of our global operations.

As this is our first year of aligning with the reporting requirements of the CFD, before embedding sustainable approaches, we wanted to focus on assessing the magnitude of the impact climate-related risks could pose on our revenue and costs. Hence, Inspired ESG held a climate risk workshop for the relevant teams at AMS, where we developed a climate risk register for both transition and physical risks. The risk register screens climate impact across our direct global operation. In the next financial year we aim to include our key suppliers. Where possible, the potential financial impacts of the assessed climate-related risks will be considered and disclosed in 2024.

Transition risks are associated with the impact on our business in the time during which we decarbonise the economy, and it has four areas of consideration: policy and legal, technology, market, and reputation. Physical risks are associated with the physical impacts of weather events on our manufacturing sites, warehouses, staff, and customers. Our patients are of our utmost importance. Understanding the physical risks of climate change to our staff, local communities, assets, and the supply chain is crucial. By adopting a proactive approach, we aim to reduce reactive responses and minimize disruptions caused by extreme weather events throughout our operations and value chain.

The physical risks were assessed against the locations of 12 sites. If a site was near a historic climate event impact, we considered the site to be vulnerable, as these types of events in the vicinity of our sites, will impact our supply routes.

Aligned with the CFD guidelines, we tried to forecast the future to estimate the potential impact on our business, using three possible future scenarios and global warming pathways.

## Global Warming Scenarios

The climate scenario analysis explores three distinct scenarios; Proactive (<2°C), Reactive (2-3°C), and Inactive (>3°C), based on projected increases in global average temperature by 2100 compared to pre-industrial levels to correspond with the goals in the Paris Agreement. A climate scenario depicts potential future climate conditions that may directly or indirectly impact business operations, such as through regulatory changes, evolving market dynamics, or acute weather events such as storms and wildfires.

To conduct climate scenario analysis, several climate models and internationally established frameworks were used. These included the International Energy Agency's World Energy Models (WEM), the Shared Socioeconomic Pathways (SSPs): Climate Natural Catastrophe Damage Model, the Co-ordinated Regional Climate Downscaling Experiment (CORDEX) forecasts, Central Banks and Supervisors Network for Greening the Financial System (NGFS) and Integrated Assessment Models (IAM). These models provide comprehensive insights into global climate and energy systems, and therefore integrate various socioeconomic, environmental, and technological factors to assess the long-term consequences of different climate policies and mitigation strategies.

The table below explains what conditions impacted our forecasts. Each scenario identifies critical thresholds beyond which aspects of the climate may not revert to their previous state, known as a tipping point. Tipping points represent components of the Earth's system that can undergo sudden and irreversible changes in response to warming. Even a minor alteration can signify a point of no return, leading to permanent shifts in climate patterns. Our climate modelling extends until 2052 and aligns with the UK's net zero target of 2050. We have divided the risk register into three time frames (Table 2).

# Non-Financial and Sustainability Information Statement

continued

**Table 2 – Climate Scenario Analysis Timeframes.**

Time Horizons	
<b>Short Term (2023-2027)</b>	In this timeframe, we gain insights into imminent climate change implications, guiding decisions for enhanced resilience. We anticipate strict enforcement of transition risks, as we move towards a low-carbon economy.
<b>Medium Term (2028-2037)</b>	The effects of climate change are anticipated to become more noticeable, particularly in terms of Reactive and Inactive scenarios for physical risks. Transition risks will intensify in this period, requiring governmental responses to tackle evolving challenges.
<b>Long Term (2038-2052)</b>	The most substantial threat arises from physical risks, especially in reactive and inactive scenarios. Businesses need comprehensive preparation to navigate and manage the resulting outcomes in these situations. This timeframe is consistent with the UK Government's Net Zero pledge by 2050.

**Table 3 – Three Temperature Warming Scenarios**

Scenarios Warming Pathway	
<b>Below 2°C ("Proactive"):</b> Organisations begin to align more closely with the Paris Agreement and Science Based Targets initiative (1.5°C), for an orderly and coordinated transition to a low-carbon economy.	In this scenario, there is a concerted effort to address climate change. Governments, industries, and the public collaborate to ensure that the global average temperature rise remains significantly below 2°C by the year 2100. Organisations proactively align with the Paris Agreement and the Science-Based Target Initiative, working towards achieving net zero emissions by 2050. While there are notable transition risks associated with this scenario, the proactive measures taken can mitigate the severity of the long-term physical hazards of climate change.
<b>Between 2-3°C ("Reactive"):</b> Businesses respond to patchwork policies, with intermittent action, aligning with current forecasts.	The outcomes of COP26 are likely to steer us towards this scenario. In this context, the response to climate change is characterised by delays and ad-hoc measures, resulting in a projected global warming of 2-3°C by the year 2100. Governments implement policies and legislation in an unstructured manner, contributing to heightened transition risks in the medium term. Short-term business operations persist as usual, with decarbonisation efforts concentrated primarily in high-emission sectors. This trajectory carries the highest transition risks, due to a lack of coordinated efforts from governments, amplifying the severity of physical impacts as specific tipping points are reached.
<b>Above 3°C ("Inactive"):</b> The business-as-usual scenario.  The Bank of England models a recession; minimal climate action and global emissions rise unchecked.	Under this scenario, business operations persist without significant changes, and emissions continue to climb until 2040, resulting in a global temperature increase surpassing 3°C. Public pressure and a rise in physical climate change events compel governments to finally take decisive climate action. The energy and fuel markets experience high levels of volatility. Long-term policies are introduced in a piecemeal fashion, creating a patchwork of initiatives. Governments resort to costly low-carbon technologies, such as carbon capture and storage, as a solution to address the climate crisis. This scenario witnesses the surpassing of several tipping points, leading to an escalation in the severity of physical impacts.

### Transition and Physical risks identified

Six transition risks (policy and legal, market, and technology) and three physical risks (heatwaves, flooding and sea level rise) were deemed material to our business. Transition risks are expected to be most relevant in the near-term and the below 2°C scenario or 2-3°C scenario, as the government introduces more policies and regulations to mitigate climate change. Physical risks are more severe in the medium to long-term and, expectedly, in the higher warming pathways of 2-3°C scenario and above 3°C.

Our priorities for 2024, involve evaluating both types of risks against a revenue-based assessment and to include our suppliers' sites in the physical risk assessment. The climate-related metrics that are used to measure and manage our climate-related risks can be found in the Metrics and Targets section of this report.

### Our resilience to the identified risks

As detailed in the table below, the business-as-usual scenario (above 3°C) that was modelled is expected to bring a more substantial impact on our operation, and hence, can increase our costs and reduce our revenue. However, since the physical risks are only material in the long term, between 2038 and 2052, they are not currently considered to pose a high financial exposure to our revenue and assets. Given the nature of our business, we cannot replace suppliers quickly, as this will require new FDA or MDR approvals which take time to process. Therefore, every year, we will monitor any developments in the physical risks posed to our manufacturing sites, to ensure we deliver the best results to our patients and stakeholders.

Transition risks are deemed more important to us in the near future, because of recent changes in increasing legislation in the past few years. For example, we are captured under the CFD, and the Streamlined Energy and Carbon Reporting (SECR). If the governments in any of our operational locations globally decide to accelerate climate mitigation, we want to be prepared to respond to these demands. Therefore, we partnered with Inspired ESG in 2021, to guide our work around climate reporting. Inspired ESG monitors recent regulatory developments and provides updates, to ensure that we comply with all mandatory reporting. Furthermore, our internal ESG governance has been adapted, to work internally to mitigate transition risk, which is monitored by our Board of Directors. Given the risks and opportunities identified and laid out below, and the scenarios considered, management are satisfied that the business strategy is resilient to climate change.

# Non-Financial and Sustainability Information Statement

continued

**Table 3- Identified Climate-related Risks: Transition and Physical Risks**

Climate-related Risk	Proximity	Global Warming Scenario	Potential Impact and Risk Rating	Impact Description	Business Response to Climate-related Risks
<b>Transition Risks</b>					
<b>Policy &amp; Legal</b>					
<b>Increase in regulation due to climate change</b>	Short - Medium Term (2023-2037)	<2°C 2-3°C	<ul style="list-style-type: none"> <li>Costs increase.</li> <li>Reduced profit.</li> <li>Loss of reputation.</li> </ul> <b>Significance: 1</b> <b>Likelihood: 5</b>	<b>Actual Risks:</b> <ul style="list-style-type: none"> <li>AMS is impacted by government regulation which has been introduced to reduce energy use and emissions. Introduced regulation includes SECR and more recently CFD regulation. Currently, AMS's annual climate-compliance costs with its ESG consultancy are less than £30,000.</li> <li>LEZ: There is a risk of increased operational expenditures as the distribution supply fleet is exposed to low-emission zones in London.</li> </ul> <b>Potential Risks:</b> <ul style="list-style-type: none"> <li>Increased compliance costs: Operational costs and resources required to ensure AMS remains compliant with additional reporting and to manage internal climate initiatives, are likely to increase.</li> <li>In the event of non-compliance with regulations, there is a potential risk of financial claims, penalties, awards of damages, or fines. AMS is exposed to increased regulation across all its locations in the UK, EU, Israel and Russia.</li> <li>Germany plans to implement a Single-Use Plastics Tax (the EWKFondsG) from 1 January 2024 and requires that Companies which operate in Germany appoint a responsible person to report the produced waste by May 2025, according to type and mass (kilograms). The tax varies between the type of waste and material.</li> <li>AMS has two sites in Germany: Nuremberg (collagen production from animals), and Hamburg (suture manufacturing, packaging and sterilisation). Currently, AMS is not affected by this law or by a similar requirement in the Netherlands, which targets food and beverage containers, plastic bags, wet wipes, and tobacco filters. However, if it is expanded, AMS will need to report its packaging quantities. A non-compliance fine could reach €100,000.</li> <li>AMS do not currently meet the reporting threshold for Corporate Sustainability Reporting Directive (CSRD). Reporting under CSRD would result in significant costs and the potential need for an increase in internal resources.</li> </ul>	<ul style="list-style-type: none"> <li>We engage with a third-party ESG Consultancy. We will annually review the reporting requirements for CSRD.</li> <li>We adapted our internal governance structure to manage climate risks.</li> <li>In 2023, we developed a Net Zero reduction plan, with the help of our ESG consultants, Inspired ESG. AMS aspires to become a Net-Zero company by the end of 2045.</li> </ul>
<b>Mandates on and regulation of existing products and services</b>	Short-Medium Term (2023-2037)	<2°C 2-3°C	<ul style="list-style-type: none"> <li>Costs increase.</li> </ul> <b>Significance: 1</b> <b>Likelihood: 5</b>	<b>Actual Risks:</b> <ul style="list-style-type: none"> <li>The impact of Climate Change could increase the impact of the UK's Plastic Packaging Tax (PPT) on organisations that manufacture or import ten or more tonnes of finished plastic packaging material applies if the packaging does not contain at least 30% recycled plastic. Therefore, the organisation will be charged at a rate of £210.82/tonne.</li> </ul> <b>Potential Risks:</b> <p>AMS's main packaging materials are cardboard, plastic and foil.</p> <ul style="list-style-type: none"> <li>UK EPR (Extended Producer Responsibility): AMS may be impacted by EPR, which will be introduced in the UK in 2024. This policy is designed to transfer a £1.7 billion financial burden of household packaging waste collection.</li> <li>Germany's single-use plastic tax (the EWKFondsG): If the taxes on packaging and plastic are expanded to more products, it will impose financial risks to AMS, which uses plastic for its packaging (according to the law's draft, the levy rate would be €0.180/kg for non-deposited beverage containers up to three litres or €3.790/kg for lightweight plastic carrier bags).</li> </ul>	<p>We plan to monitor this risk annually, to ensure that any levies imposed on AMS for plastic or packaging are not substantial.</p>

Climate-related Risk	Proximity	Global Warming Scenario	Potential Impact and Risk Rating	Impact Description	Business Response to Climate-related Risks
<b>Transition Risks</b> continued					
<b>Market</b>					
<b>Changing customer behaviour</b>	Medium Term (2028-2037)	<2°C 2-3°C	<ul style="list-style-type: none"> <li>Costs increase.</li> <li>Loss of competitive advantage.</li> <li>Erosion of revenue.</li> <li>Reputational damage.</li> </ul> <b>Significance: 5</b> <b>Likelihood: 2</b>	<b>Potential Risks:</b> <ul style="list-style-type: none"> <li>With ESG growing in importance, some healthcare providers, including the NHS, are prioritising and even substituting medical supplies that correspond with their GHG emissions Scope 3 reduction targets.</li> <li>Failure to effectively predict and respond to changes could affect AMS's financial performance.</li> </ul>	In 2021, we commenced our pathway to become Net Zero by 2045. We completed the work in 2023 and are now working to implement sustainability targets.
<b>Increased cost of energy and raw materials</b>	Short - Medium Term (2023-2037)	<2°C 2-3°C	<ul style="list-style-type: none"> <li>Costs increase.</li> <li>Loss of competitive advantage.</li> <li>Erosion of revenue.</li> <li>Market expectations missed.</li> </ul> <b>Significance: 4</b> <b>Likelihood: 2</b>	<b>Potential Risks:</b> <ul style="list-style-type: none"> <li>Raw materials: A potential Introduction of the carbon border tax, will increase the costs of high carbon-impact products imported into the UK and EU. EU's Carbon Border Adjustment Mechanism (CBAM) has already entered into force, but until 2026 it will only include import of raw materials that are not relevant to our business. For example, hydrogen, steel, aluminium, fertilisers, and cement. If this increases the price of electricity it will increase our operating expenditures.</li> <li>The UK has not introduced a similar policy yet, but this financial year they stated it was under review.</li> <li>Levies on fossil fuels will increase the cost of energy, leading to increased operational spending. This risk is currently heightened, supply chain costs may increase as physical climate risks cause impact to the mining and extraction of raw materials and global transportation networks.</li> <li>General inflation may increase the price of raw materials and energy. If climate events or chronic changes in climate are more frequent, it is likely that costs will increase even further.</li> </ul>	We have installed 95.3 MWh of renewable (solar) energy generation capacity at one of our sites that has supplied 21% of our electricity needs, which reduced our dependency on market prices. This has helped to reduce our Scope 2 emissions.
<b>Technology</b>					
<b>Substitute existing products and services with lower emissions alternates</b>	Short - Medium Term (2023-2037)	<2°C 2-3°C	<ul style="list-style-type: none"> <li>Costs increase.</li> </ul> <b>Significance: 2</b> <b>Likelihood: 4</b>	<b>Potential Risks</b> <ul style="list-style-type: none"> <li>Increase in initial Capex investments: The costs to ensure our products are sustainable are likely to increase as we may need to invest in more carbon friendly technology, materials, and packaging.</li> <li>Increased capital spend on low carbon products compared with conventional technology.</li> <li>Cost of upgrading entire portfolio to more efficient technology.</li> <li>Shifting to more efficient technology and sustainable products may require a write-off or the retirement of existing assets at a high impact on businesses and increased capital investments over time, due to a reduced demand for existing products and services that is high emitting.</li> </ul>	AMS continuously monitors developments that could impact the cost of our products. Our improved planning processes and risk management controls guarantee that we are prepared for any potential costs to invest in substituting current products to lower-emissions alternatives.
<b>Costs to transition to lower emissions technology</b>	Short - Medium Term (2023-2037)	<2°C 2-3°C	<ul style="list-style-type: none"> <li>Costs increase.</li> </ul> <b>Significance: 2</b> <b>Likelihood: 4</b>	<b>Potential Risks</b> <ul style="list-style-type: none"> <li>There is a risk that an investment initiated today would be outdated by an even more advance solution closer to the investment decision.</li> <li>Increased capital cost of lower emission technology</li> <li>Increased operational disruption as new technology takes time to successfully integrate into business processes</li> </ul>	AMS will evaluate the cost and benefits of low-emission technology, assessing the associated payback periods. AMS will also continue to engage with third-party consults to support the transition towards lower-emissions technology.

# Non-Financial and Sustainability Information Statement

continued

Climate-related Risk	Proximity	Global Warming Scenario	Potential Impact and Risk Rating	Impact Description	Business Response to Climate-related Risks
<b>Physical Risks</b>					
<b>Acute</b>					
<b>Heatwaves/ Extreme heat</b>	Short - Long Term (2023-2052)	2-3°C >3°C	<ul style="list-style-type: none"> <li>Inability to supply product.</li> <li>Shortfall in profit.</li> <li>Reputational loss.</li> </ul> <p><b>Significance: 3-4</b> <b>Likelihood: 1</b></p>	<p>All 12 sites will experience heatwaves in the short and long term in the Reactive and Inactive scenarios.</p> <ul style="list-style-type: none"> <li>Extreme heat/heatwaves may adversely impact staff, causing a decrease in productivity.</li> <li>In extreme heat, governments can impose restrictions on outside work, like for manual labour.</li> <li>To maintain optimal temperatures for staff, there may be an increased demand for cooling through air-conditioning units, leading to an increase in energy costs and Scope 1 and 2 emissions.</li> <li>Employees may want to work for other companies that provide cooling during extreme heat events.</li> <li>Certain construction materials and their properties may change under extreme heat conditions, leading to increased maintenance or repair costs.</li> <li>Increased risk of supply disruption to transport as roads melt and rails buckle.</li> <li>Increased operational spend on water/ice for keeping employees and/or stock cool.</li> </ul>	<p>Our offices, manufacturing sites, and warehouses are all equipped with HVAC (Heating, Ventilation and Air Conditioning) systems. This ensures that AMS are equipped to handle days of extreme heat and that our inventory is kept in the best condition, which reflects our commitment to providing the best quality to our customers.</p>
<b>Increased Severity of Flooding</b>	Medium - Long Term (2028 – 2052)	>3°C	<ul style="list-style-type: none"> <li>Inability to supply product.</li> <li>Shortfall in profit.</li> <li>Reputational loss.</li> <li>Expenditures – Increased direct and indirect costs.</li> </ul> <p><b>Significance: 5</b> <b>Likelihood: 1</b></p>	<p><b>Actual Risks:</b></p> <ul style="list-style-type: none"> <li>There are nine sites (Etten-Leur, Haifa, Moscow, Neustadt, Nuremberg, Plymouth, Stafford, Winsford and Teesdorf) that could be indirectly affected by the high flood risk zones disrupting transport routes, affecting accessibility of suppliers and employees reaching the sites.</li> </ul> <p><b>Potential risks:</b></p> <ul style="list-style-type: none"> <li>Located in a high flood-risk zone may cause an increase in property insurance premiums, as resources show globally that premiums are expected to rise by 29% by 2040 due to climate change.</li> <li>Flooding can impact local infrastructure, impacting transport, telecommunication and energy networks.</li> <li>Long-term effects could cause the building’s physical structure to be damaged and lengthy ongoing repairs.</li> <li>Increased cost of maintaining drainage systems.</li> <li>Increased capital cost of installing building flood defences.</li> </ul>	<p>AMS will conduct an analysis of the company’s sites to determine the financial impact on sites that are most at risk from flooding.</p>
<b>Chronic</b>					
<b>Sea Level Rise</b>	Long Term (2038 – 2052)	>3°C	<ul style="list-style-type: none"> <li>Costs increase.</li> <li>Inability to supply.</li> </ul> <p><b>Significance: 4</b> <b>Likelihood: 1</b></p>	<ul style="list-style-type: none"> <li>Sea level rise increases the risk of erosion and storm surges. As sea level rises, damage to sites could lead to closures and increased insurance premiums.</li> <li>Damage and disruption to major transport routes may prevent staff from being able to access a site and supplies being transported.</li> <li>Sea level rise may lead to damage to ports, roads, railways, and other logistical infrastructure related to suppliers, resulting in the delay of purchased goods.</li> <li>Climate-related economic disruption may have knock-on impacts on consumer spending.</li> <li>This risk could be more impactful to AMS’s supply chain and supply routes.</li> </ul>	<p>AMS will conduct climate scenario analysis annually to assess the potential impact that sea level rise may have on the business.</p>

**Table 4 – Identified Climate-related Opportunities**

Opportunity Area	Opportunity	Timeline	Potential Impact	Impact Description
<b>Technology</b>	Use of lower-emission sources of energy to reduce costs.	Short – Medium Term (2023-2037)	Reduction in operating expenses and increased revenue as a result of increased efficiency.	Energy savings from off-site and on-site energy generation systems in the medium- to long-term, due to the transition to renewable energy sources. Potential to sell excess renewable power back to the grid.
<b>Policy &amp; Legal</b>	Use of more efficient suppliers and diversifying AMS's supply chain.	Short – Medium Term (2023-2037)	Reduction in Scope 3 GHG emissions.	Our suppliers constitute our Scope 3 emissions. If we collaborate with suppliers in transitioning to a decarbonised operation, this will reduce our Scope 3 emissions and help us achieve our net zero target.
<b>Reputation</b>	Reputational gain.	Short – Medium Term (2023-2037)	Positive external impact among customers and stakeholders.	Reputational stability from implementing lower emission technologies. Increased share price and market cap.

**Metrics & Targets**

In 2023, we completed our long-term plan to become a Net Zero business by 2045. AMS aims to achieve absolute Net Zero Scope 1, 2 and 3 emissions by 2045, compared to a 2021 baseline. Our targets have not yet been validated by SBTi, however we will begin the validation process towards the end of 2024. Net Zero requires a concerted effort over time to eliminate GHG emissions, with compensatory measures as an ultimate step for any emissions that cannot be reduced. The SBTi net-zero standard requires a 90% absolute reduction in emissions prior to any residual offsets, up to 10% of the baseline, being offset using carbon removal offsets. These metrics and targets will help to reduce our climate-related risks outlined in Table 3.

To continue progress to achieving Net Zero, we have adopted the following carbon reduction targets, all based on a 2021 baseline year:

- 42% absolute reduction in Scope 1 and 2 GHG emissions by 2030.
- 72% of suppliers to have science-based targets by 2028.
- Reduce Scope 3 Category 12 – End-of-Life Treatment of Sold Products GHG emissions by 30% per tonne product sold by 2033.

Moving forward, we commit to annual reporting on our environmental performance. We started this process in 2023, when we launched an extensive data collection effort to comprehensively measure our GHG emissions and ensure transparency with our stakeholders. In 2024, we will expand our sustainability metrics to include KPIs (Key Performance Indicators) that will measure our resource use against our production and a year-on-year progress in carbon reduction.

AMS aims to act in a sustainable manner, and we project that our Scope 1 and 2 emissions will decrease over the next five years to 2,066 tCO<sub>2</sub>e by 2028. This is a 33% reduction compared to our base year of 2021. Baseline emissions are a record of the greenhouse gases that have been produced in the past and were produced prior to the introduction of any strategies to reduce emissions. Baseline emissions are the reference point against which our emissions reduction will be measured.

# Non-Financial and Sustainability Information Statement

continued

## Streamlined Energy and Carbon Reporting ('SECR')

In accordance with SECR requirements, the information below summarises AMS's energy usage, associated emissions, energy efficiency actions, and energy performance, across its sites in the UK, France, Germany, Czech Republic and the Netherlands. Carbon emissions are categorised as follows:

- **Scope 1:** Consumption and emissions related to direct combustion of natural gas, fuels utilised for transportation operations, such as company vehicle fleets and refrigerant gases.
- **Scope 2:** Consumption and emissions from indirect emissions, relating to the consumption of purchased electricity in daily business operations.
- **Scope 3:** consumption and emissions cover emissions from sources not directly owned by AMS, i.e., grey fleet business travel undertaken in employee-owned vehicles only.

Energy efficiency measures have included new heating, ventilation, and air conditioning (HVAC) system and building management systems in place around the site. Further energy efficiency measures included LED lighting, warehouse sites have been fitted with PIR sensors, we have provided energy knowledge and behavioural change initiatives.

**Table 5 – Scope 1, 2 and 3 (SECR) emissions**

Emissions Scope	FY2021 tCO <sub>2</sub> e (baseline) (location-based)	FY2022 tCO <sub>2</sub> e (location-based)	FY2023 tCO <sub>2</sub> e (location-based)	Progress since 2021 Baseline
<b>Scope 1</b>	<b>1,716</b>	<b>1,401</b>	<b>1,342</b>	<b>-21.8%</b>
Natural Gas, Other Fuels, & Refrigerant	1,467	1,157	1,110	-24.3%
Transportation	249	243	233	-6.4%
<b>Scope 2</b>	<b>1,352</b>	<b>1,313</b>	<b>1,344</b>	<b>-0.6%</b>
Grid-Supplied Electricity	1,352	1,313	1,344	-0.6%
<b>Scope 3</b>	<b>18</b>	<b>22</b>	<b>17</b>	<b>-11.1%</b>
Transportation (grey fleet)	18	22	17	-11.1%
<b>Total</b>	<b>3,086</b>	<b>2,736</b>	<b>2,703</b>	<b>-12.4%</b>

**Table 6 – Scope 1 and 2 and transport only for Scope 3 (SECR)**

	FY2021 tCO <sub>2</sub> e (baseline) (location-based)	FY2022 (location-based)	FY2023 (location-based)	Progress since 2021 Baseline
tCO <sub>2</sub> e/FTE	4.41	3.08	3.14	-28.8%
FTE	700	889	860	

## Monitoring our energy consumption in FY2023

**Table 7 – Total Reportable Energy Supplies Consumption (kWh) for Global Operations**

Emissions Scope	2021 (baseline) Consumption (kWh)	2022 Consumption (kWh)	2023 Consumption (kWh)
<b>Scope 1</b>	<b>6,597,290.84</b>	<b>6,991,155.48</b>	<b>6,749,191.99</b>
Natural Gas & Other Fuels	5,560,313.51	6,019,863.75	5,810,892.19
Transportation	1,036,977.33	971,291.73	938,299.80
<b>Scope 2</b>	<b>5,234,687.50</b>	<b>5,149,507.20</b>	<b>5,548,823.89</b>



Scope 1 and 2 greenhouse gas emissions have been calculated according to the 2019 UK Government environmental reporting guidance. Consistent with the guidance, relevant emissions factors published in the UK Government's Department for Business, Energy and Industrial Strategy (BEIS) "Greenhouse gas reporting: conversion factors" database-specific reporting year have been used. The tCO<sub>2</sub> equivalent conversion factor has been used throughout and, where applicable, the kWh gross calorific value (CV) was used. A third party uses the Company's data to calculate emissions, but no formal assurance is provided.

### Carbon Balance Sheet

AMS began measuring its full carbon footprint in 2021, following the guidelines of the Greenhouse Gas Protocol. Eleven of the fifteen Scope 3 categories are applicable to AMS. AMS has no leased assets not already included in Scope 1 and 2 (8: Upstream Leased Assets) or franchises (14: Franchises. Additionally, none of AMS's products consume energy during their use (11: Use of Sold Products), and AMS has no investments (15: Investments). All applicable categories have been quantified. In FY24, the focus will be on continuing to improve Scope 3 data quality and working with suppliers to collect their own Scope 1, 2 and 3 emissions.

**Table 8 – Carbon Balance Sheet for 2021, 2022 and 2023**

Emissions	2021 tCO <sub>2</sub> e	2022 tCO <sub>2</sub> e	2023 tCO <sub>2</sub> e	Progress since 2021 baseline
<b>Scope 1</b>	<b>1,716</b>	<b>1,401</b>	<b>1,342</b>	<b>-21.8%</b>
<b>Scope 2 – location-based</b>	<b>1,352</b>	<b>1,313</b>	<b>1,344</b>	<b>-0.6%</b>
<b>Scope 3</b>	<b>46,649</b>	<b>48,070</b>	<b>50,503</b>	<b>+8.3%</b>
1: Purchased Goods and Services	19,060	18,280	19,726	+3.5%
2: Capital Goods	6,130	9,676	12,661	+106.5%
3: Fuel-related Emissions	705	612	594	-15.7%
4: Upstream Transportation and Distribution	5,063	4,722	5,102	+0.8%
5: Waste Generated in Operations	326	21	25	-92.3%
6: Business Travel	86	383	369	+329.1%
7: Employee Commuting	825	1,102	1,042	+26.3%
8: Upstream Leased Assets	N/A	N/A	N/A	N/A
9: Downstream Transportation and Distribution	4,515	4,956	4,780	+5.9%
10: Processing of Sold Products	9,751	8,171	6,047	-38.0%
11: Use of Sold Products	N/A	N/A	N/A	N/A
12: End-of-life Treatment of Sold Products	125	75	83	-33.6%
13: Downstream Leased Assets	61	73	73	+19.7%
14: Franchises	N/A	N/A	N/A	N/A
15: Investments	N/A	N/A	N/A	N/A
<b>Total Scope 1, 2 and 3 (location-based)</b>	<b>49,715</b>	<b>50,783</b>	<b>53,189</b>	<b>+7%</b>

Since 2021, our Scope 1 emissions have decreased by 21.8% and our Scope 2 emissions have decreased by 0.6%. Therefore, our total Scope 1 and 2 emissions have decreased by 12.5% from a 2021 baseline. We will continue to invest in energy saving initiatives to help meet our Scope 1 and 2 reduction target of a 42% absolute reduction by 2030. Also, we have reduced our Scope 3 Category 12 - End-of-Life Treatment of Sold Products by 33.6% since 2021 (baseline). Please see Page 46 for our energy efficiency improvements.

### Waste Management and Plastic

AMS will continue to look at waste management processes and separation to further increase the amount of waste product that can be re-used within a circular economy. Within the UK, working with our packaging compliance partners, in order to meet the requirements of Extended Producer Responsibility (EPR), which is part of the Packaging Waste Regulations which came into force in the UK in 2023, we will promote the re-use of packaging and other recyclable materials.

### Next steps for FY2024

Looking forward, AMS plans to focus on four different areas of our operation to reduce our carbon footprint: Product, Supply Chain, People, and Sites and Buildings. Our actions to reduce emissions will be split across the short-, medium- and long-term for each focus area that we have set out. We will continue to report on our GHG emissions and progress towards our targets in line with the GHG Protocol guidance for defining and calculating our carbon footprint in 2024.

In 2024, we aim to progress with key mitigation steps to respond to the most significant climate risks relevant to our operation and strengthen our resilience to global warming.

## Operating Review

# Surgical Business Unit

The Surgical Business Unit includes tissue adhesives, sutures, biosurgical devices and internal fixation devices marketed under the AMS brands LiquiBand®, RESORBA®, LIQUIFIX™, LiquiBandFix8® and Seal-G®.

### Surgical Business Unit Revenue

# £79.1m

(2022: £74.9m Change: +6%)

### Traditional Closure

# +13%

(2022: +7%)



Scan to read more about our Surgical Business Unit

Growth in the Surgical Business was driven by strong performances from LiquiBand® outside the US, Traditional Closure, Other Distributed and Internal fixation products. Revenue increased to £79.1 million (2022: £74.9 million) during the Period, an increase of 6% on a constant currency and reported basis.

Surgical Business Unit	2023 £ million	2022 £ million	Reported Growth	Change at constant currency
Advanced closure	<b>34.6</b>	36.0	-4%	-4%
Internal Fixation and Sealants	<b>5.0</b>	4.1	21%	21%
Other Distributed	<b>5.0</b>	2.9	72%	69%
Traditional Closure	<b>18.1</b>	16.0	13%	15%
Biosurgical Devices	<b>16.4</b>	15.8	4%	3%
<b>Total</b>	<b>79.1</b>	74.9	6%	6%

### 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	2023 £ million	2022 £ million	Reported Growth	Change at constant currency
Americas	<b>18.2</b>	23.4	-22%	-21%
UK/Germany	<b>8.2</b>	7.3	12%	11%
ROW	<b>6.8</b>	5.3	28%	28%
Connexicon	<b>1.4</b>	0.0		
<b>Total</b>	<b>34.6</b>	36.0	-4%	-4%



LiquiBand® revenues decreased in the period by 4% as strong ex-US growth was offset by US de-stocking linked to the implementation of the new route-to-market strategy, with the Group renegotiating its three principal hospital distribution agreements.

The new agreements will enable more product and brand differentiation for each of the Group's partners including the first solely AMS branded product in the US, which represents a significant milestone for LiquiBand®. Taking over direct marketing control for one of the distribution channels allows AMS to offer LiquiBand® solutions in US hospital sales channels where the Group's two Acute Strategic Partners' relationships are less robust. This has involved AMS setting up and maintaining its own locally-based inventory in the US. The switching of inventory ownership is now complete, but the resulting de-stocking undertaken by its partner and additional inventory disruption during negotiations with other partners resulted in a £5m revenue impact during 2023. Throughout this process end-user sales have been uninterrupted and there has been no impact on customer order fulfilment.

The Connexion acquisition in February 2023 will support the enhanced LiquiBand® partner agreements by providing the product exclusivity and differentiation required to significantly expand market penetration. The US approval process for these products is progressing well and remains on track for completion in H2 2024. Connexion continues to perform well in Europe and ROW; the clinical trial is progressing well and it is being positioned for approval in China at around the end of 2025, which would be AMS's first tissue adhesive approval in this market.



## Growth driven by strong performances from LiquiBand® outside the US, Traditional Closure, Other Distributed and Internal fixation products.

The new agreements promote LiquiBand® XL in all three hospital distribution channels providing access to the fast growing \$70 million long-wound market and facilitating the conversion of new accounts and increased market share for the LiquiBand® brand. The pipeline of evaluations and conversions for LiquiBand® XL continues to increase rapidly and surgeon feedback on the efficacy and ease of use for the product remains very positive.

The Board has been very pleased with the impact of the new strategy on 2024 partner ordering and commitment and remain confident of achieving record US LiquiBand® revenues for the year.

Outside the US, the LiquiBand® brand continued to perform very strongly, with underlying growth of 11% in UK/Germany and 28% in the Rest of the World markets, as new territories continue to make a positive impact on financial performance. LiquiBand® XL is being well received in these markets and early-stage traction is contributing to growth.



### Internal Fixation and Sealants

# +21%

(2022: Change: +60%)

### Other Distributed Products

# +72%

(2022: n/a)

### Internal Fixation and Sealants

LiquiBandFix8®/LIQUIFIX™ is used to fix hernia meshes placed inside the body with accurately delivered individual drops of cyanoacrylate adhesive, instead of traditional sutures, tacks and staples.

LiquiBandFix8® continued to perform strongly in Europe and ROW with revenues increasing by 21% to £5.0 million (2022: £4.1 million) in the period due to deeper market penetration and, to a lesser extent, the annualised impact of the acquisition of AFS Medical.

2023 was an important year for AMS's hernia mesh fixation device, with the completion of a 284-patient clinical study, US approval and an agreement secured with TELA Bio for the marketing and distribution of LiquiBandFix8® across the high-value US market under the brand LIQUIFIX™. The launch is progressing very well with TELA Bio having completed an extensive training programme among its specialist hernia sales force and good progress across a number of significant GPO systems in the US. The initial response from surgeons and from AMS's partner has been very positive and US orders received to date are ahead of expectations.

SEAL-G® MIST is a novel, internal, biological sealant used to reduce leakage of fluid during internal surgery. We are very pleased with the first SEAL-G® clinical study of 160 gastrointestinal ('GI') surgery patients that was completed in 2023, although not a randomised controlled trial, initial data confirmed that reports of serious leakages with SEAL-G® were significantly lower than those from published studies with standard of care treatments.

In 2024, we have chosen to move into a clinical study for pancreatic surgery, which is a high-risk procedure with higher leakage rates and thus lower patient population to demonstrate results. This study is underway and initial feedback is encouraging, albeit at an early stage.



Unfortunately, the discontinuation of a component required to connect the laparoscopic to an external gas supply is restricting commercialisation and limiting our SEAL-G® activities to critical clinical work and KOL surgeon evaluations. With no short-term solution we are now trying to expedite the development of the next generation laparoscopic device that does not need a gas supply connection.

#### 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. Revenues grew strongly during 2023, increasing by 13% to £18.1 million and 15% at constant currency (2022: £16.0 million) as the Group continues to have success with its strategy of delivering solid suture growth in its core German market combined with higher growth outside of Germany, with notable success in Eastern Europe and the US. This has resulted in ex-Germany suture sales exceeding German sales for the first time, in comparison to the suture business that was heavily German weighted when RESORBA® was acquired.

#### Biosurgical Devices

Biosurgical Devices comprise antibiotic-loaded collagen sponges, collagen membranes and cones, oxidised cellulose, synthetic bone substitutes and bio-absorbable screws. Revenues increased to £16.4 million (2022: £15.8 million) with the reported increase deflated by a strong FY22 comparative period linked to MDR related ordering and uneven phasing of shipments but with much stronger growth expected again in 2024.

End-user demand for collagens in Europe remains and the RESORBA® branded bone substitutes range is now established in over 20 countries creating a platform for accelerated growth and following the 2023 US independent rep pilot launch of bone substitutes, a dedicated US based manager has been recruited to drive this growth opportunity. Adding further US approvals for further Biosurgical devices remains a priority and the Group continues to work towards its first US 510(k) submission for collagen, initially in a dental application.



## Acquisition of Peters Surgical will transform the Business Unit, with healthy gross margins, a highly synergistic product range and commercial and operational structure.

#### Other Distributed Products

The Other Distributed category comprises bought-in minimally invasive access ports and laparoscopic instruments predominately sold by AFS. Revenues were significantly boosted by annualisation following the acquisition of AFS in H1 2022 and increased to £5.0 million during the Period (2022: £2.9 million), growth of 72% on a reported basis and 69% at constant currency.



## Operating Review

# 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.



### Woundcare Business Unit Revenue

# £47.1m

(2022: £49.5m Change: -5%)

### Infection and Exudate Management

# £39.5m

(2022: £38.9m Change: +2%)



Scan to read more about our Woundcare Business Unit

Revenues decreased by 5% to £47.1 million (2022: £49.5 million) on a reported and constant currency basis due to a steep decline in the Organogenesis royalty stream and ongoing challenging market conditions relating to pricing pressure, low-cost competition and reimbursement issues related to Infection Management products. A restructuring of the Business Unit was completed in Q1 2024 in order to focus on driving growth with prudent cost control measures now in place.

Woundcare Business Unit	2023 £ million	2022 £ million	Reported Growth	Change at constant currency
Infection and Exudate Management	39.5	38.9	+2%	+2%
Other Woundcare	7.6	10.6	-28%	-27%
<b>Total</b>	<b>47.1</b>	49.5	-5%	-5%

### Infection and Exudate Management

Infection and Exudate Management revenue increased by 2% to £39.5 million (2022: £38.9 million) with growth driven from AMS's own ActivHeal® range and from the pipeline of specialist materials that came with the 2020 Raleigh acquisition.



**Other Woundcare**

Other Woundcare comprises royalties, fees and woundcare sealants. Revenue reduced by 28% at reported currency and by 27% at constant currency to £7.6 million (2022: £10.5 million) as a result of significantly reduced royalty from Organogenesis following US reimbursement reviews announced in 2023.

Royalties from Organogenesis have continued to fall sharply throughout the period. Given the current trajectory and expected near-term implementation of the reimbursement changes, AMS continues to guide towards minimal royalty in its expectations for the remainder of the patent life (2024-2026).



**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 2023.

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>	Reporting environmental impact/SECR disclosures – Pages 46 to 47
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>	Reporting on our environmental impact – Pages 34 to 36 Our Business Model – Pages 10 and 11 Risk Management – Pages 61 to 65 Stakeholder Engagement – Pages 54 to 57 Our Strategy – Pages 16 to 21
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>	Corporate Governance Report – Pages 72 to 77
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>	Audit Committee Report – Pages 81 to 84 Risk Management – Pages 61 to 65
Description of the business model		Our Business Model – Pages 10 and 11
Description of the principal risks in relation to the above matters, including business relationships, products and services likely to affect those areas of risk, and how we manage the risks		Risk Management – Pages 61 to 65
Climate-Related Financial Disclosures (CFD)		CFD - Pages 37 to 47
Non-financial Key Performance Indicators		Key Performance Indicators – Pages 22 and 23

## S172 (Stakeholder Engagement)

AMS considers its stakeholders as integral to its success and is committed to actively engaging and collaborating with them throughout the value chain. This engagement with our core stakeholders ensures that their views inform our business strategy, enabling us to understand their priorities, and use their feedback to shape our business. 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 55 to 56, 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 Senior Management Team ('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, and 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 advisers.



## 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) continued



### 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
- CFD
- 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
- Improving 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.

## Principal decisions in 2023

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 Strategic acquisition

Extensive Board discussion led to a decision to acquire Peters Surgical, a leading global provider of specialty surgical sutures, mechanical haemostasis and internal cyanoacrylate devices.

#### Why was this decision important to the Board?

As a larger, more transformative acquisition than other recent deals, Peters delivers on our long-stated goal of utilising our cash reserves for a significant acquisition.

Peters is an ideal fit for AMS in terms of its complementary expertise, global reach and potential for synergies with AMS's existing portfolio. As well as broadening our portfolio, AMS will benefit from the shared capabilities of the two companies, including direct sales channels, distribution networks, and manufacturing locations. The Board were unanimous in believing this acquisition would significantly benefit the Company and that it was in the strategic and long-term interests of all our stakeholders.

#### Which s172 factors were key to this decision?

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the Company's employees; and
- (c) the need to foster the Company's business relationships with suppliers, customers and others.

#### Which stakeholders does this decision impact?

Investors, People, Customers and Suppliers.

#### Outcome and impact on long-term sustainable success

The acquisition is expected to complete in mid 2024 following the completion of the requirement for French Foreign Direct Investment screening, which the Directors are confident will be approved without condition.

This transformational deal aligns perfectly with our acquisition strategy, expanding our presence in the operating room, increasing the portfolio, sales of AMS-branded products, direct-selling capabilities and expanding its global footprint. It will drive significant opportunities for our employees across the Group.

Acquiring Peters adds significant revenue, profit and cash generation and earnings accretion. In addition, its growing recurring revenue streams will be a key element of AMS' long-term sustainable growth and reduce the Group's reliance on individual distribution partners.

### Principal decision 2 Board review of Climate-Related Financial Disclosures ('CFD') and selection of reporting format

In 2023 extensive Board discussions led to a decision to work with an external consultant (Inspired plc) to implement the requirements of CFD.

This work required two Board workshops with Inspired. CFD requires certain publicly quoted Companies to incorporate climate disclosures in their Annual Reports. As a Company with more than 500 employees and listed on AIM, AMS is captured by the Climate-related Financial Disclosure ('CFD') regulations and is required to report.

#### Why was this decision important to the Board?

AMS complies with the UK Corporate Governance Code and with all requirements of being an AIM-listed Company, exceeding these requirements in a number of areas.

As CFD focuses on climate-related risks across the Group, and we view risk as a critical part of long-term sustainable success, it was decided that this should be a critical exercise guided by an external party which could highlight some long-term risks which have not been considered in the bi-annual Risk Register review.

#### Which s172 factors were key to this decision?

- (a) the likely consequences of any decision in the long term;
- (c) the need to foster the Company's business relationships with suppliers, customers and others; and
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct.

#### Which stakeholders does this decision impact?

Investors, Customers, and Communities and Environment.

#### Outcome and impact on long-term sustainable success

AMS has included an extensive eleven page CFD report which covers our reporting requirements. It was decided that a full 30-40-page report is not required at this stage.

This process has identified a number of risks which will be discussed during Risk Register reviews in 2024. The key categories covered by CFD, including fire risk, sea-level rising and flood risk, will be considered within the key risks on a bi-annual basis. The Board feel this was a valuable exercise.

## Financial Review

**FY23 results in line with updated guidance and significant progress made in building a platform for growth.**



### 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 to statutory measures 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 2% at both reported and constant currency to £126.2 million (2022: £124.3 million) including £1.4 million from Connexicon (2022: £ Nil).

Gross margin decreased to 55.6% (2022: 59.0%) due to reduced sales of LiquiBand® into the US as well as the reduced Organogenesis royalty. The annualised impact of AFS, whilst adding sales and profit to the Group, dilutes gross margin given its position as a distributor. The acquisition of Connexicon has had a further dilutive effect on gross margin due to its current low volumes which are at a lower margin than achieved elsewhere in the Group. We expect Connexicon gross margins to improve as volumes increase and manufacturing is in-sourced to our Plymouth factory. Inflationary increases continue to have an impact on gross margin percentage although inflationary pressures are not as substantial as those experienced in recent years.

Administration expenses increased to £50.7 million (2022: £47.4 million) due to the addition of Connexicon and the full year impact of AFS. Selling and marketing costs increased in the year as investment into growth areas has continued as well as launch activity for LiquiFix® in the US. Whilst the Group hedges significant foreign exchange exposure, a residual risk remains on the revaluation of foreign currency receivables into GBP which had an adverse impact on administration expenses in the year. However, this was offset by a lower bonus provision for employees attributable to the below expected financial performance of the Group. Acquisition costs relating to Connexicon amounted to approximately £0.2 million.

The Group incurred £12.6 million of gross R&D spend in the period (2022: £12.3 million), representing 10.0% of sales (2022: 9.9%), maintaining 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 five to ten years.

	2023 £'000	2022 £'000
Total investment in Research and Development, Regulatory and Clinical	12,621	12,301
Of which:		
Charged to the profit and loss account	6,405	6,149
Capitalised, to be amortised over 5-10 years	6,216	6,152

Amortisation of acquired intangible assets increased to £4.9 million (2022: £3.4 million) due to the acquisition of Connexicon in February 2023.

Other Income which relates to R&D claims in the UK and Ireland grew to £0.9 million (2022: £0.5 million). The growth in the year is largely due to the addition of Connexicon which has invested heavily in R&D in relation to its US FDA approval.

In the period, finance income grew by £2.1 million to £3.8 million (2022: £1.7 million), largely due to a £1.7 million increase in interest income on our bank deposits. Finance costs increased to £1.5 million (2022: £0.7 million) due to the movement in long-term acquisition liability expense which is higher due to the unwind of contingent consideration arising on acquisition of Connexicon. A net credit of £0.2 million (2022: £0.8 million credit) was recorded in relation to movements in the long-term liabilities relating to deferred consideration and earnout from the Sealantis, AFS and Connexicon acquisitions.

Adjusted profit before tax which excludes amortisation of acquired intangibles and movements in long term liabilities recognised on acquisition, decreased by 9% to £25.9 million (2022: £28.5 million) whilst the adjusted PBT margin decreased by 240 bps to 20.5% (2022: 22.9%) due to lower gross margin, higher administration expenses and adverse foreign exchange movements as discussed above.

Reported profit before tax decreased by 18% to £21.2 million (2022: £25.9 million) which includes additional amortisation of intangible assets following the acquisition of Connexicon in the year.

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

	(Unaudited) 2023 £'000	Audited 2022 £'000
Profit before tax	21,157	25,910
Amortisation of acquired intangibles	4,887	3,414
Movement in long-term acquisition liabilities	(186)	(840)
Adjusted profit before tax	25,858	28,484

The Group's effective corporation tax rate, reflecting the blended tax rates in the countries where we operate and including UK patent box relief, increased to 24.9% (2022: 21.2%) due to the UK Government's enactment of a 25% tax rate from April 2023 and a higher effective tax rate in Germany due to the reduced Organogenesis royalty.

Adjusted diluted earnings per share decreased by 10% to 9.39p (2022: 10.47p) and diluted earnings per share decreased by 22% to 7.25p (2022: 9.30p), reflecting the Group's reduced earnings.

Reflecting its confidence in the Group's prospects, the Board is proposing an increased final dividend of 1.66p per share (2022 final dividend: 1.51p), to be paid on 21 June 2024 to shareholders on the register at the close of business on 31 May 2024. This follows the interim dividend of 0.70p per share (2022 interim dividend: 0.64p) paid on 24 October 2023 and would, if approved, make a total dividend for the year of 2.36p per share (2022: 2.15p) an increase of 10%.

### Operating result by business segment

	Surgical £'000	Woundcare £'000
Year ended 31 December 2023		
Revenue	79,093	47,117
Segment operating profit	16,041	4,374
Amortisation of acquired intangibles	3,944	943
Adjusted segment operating profit <sup>1</sup>	19,985	5,317
Adjusted operating margin <sup>1</sup>	25.3%	11.3%
Year ended 31 December 2022		
Revenue	74,861	49,469
Segment operating profit	19,333	6,687
Amortisation of acquired intangibles	2,469	945
Adjusted segment operating profit <sup>1</sup>	21,802	7,632
Adjusted operating margin <sup>1</sup>	29.1%	15.4%

1. Adjusted for amortisation of acquired intangible assets.

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

### Surgical

Surgical revenues increased by 6% to £79.1 million (2022: £74.9 million) at reported currency and by 6% at constant currency) including £1.4 million from Connexicon (2022: £ Nil). Adjusted operating margin decreased by 380 bps to 25.3% (2022: 29.1%) due to the impact of temporary LiquiBand® destocking at US partners, the addition of Connexicon and full year of AFS at lower operating margin and the adverse margin impact of inflation.

## Financial Review continued

### Woundcare

Woundcare revenues decreased by 5% to £47.1 million (2022: £49.5 million) at reported currency and 5% at constant currency. Adjusted operating margin decreased by 410 bps to 11.3% (2022: 15.4%) due to the reduced Organogenesis royalty stream and ongoing challenging market conditions relating to pricing pressure, low-cost competition and reimbursement issues.

### 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 one quarter were invoiced in Dollars.

The Group estimates that a 10% movement in the £:US\$ or £:€ exchange rate will impact Sterling revenues by approximately 2.6% and 3.6% respectively and, in the absence of any hedging, this would have an impact on the Group operating margin of 1.9% and 0.4% percentage points respectively.

### Cash flow

Net cash inflow from operating activities in the period was £12.3 million, which was lower than prior year (2022: £26.9 million) due to decreased operating profit and increased investment in inventory to mitigate supply chain issues and enhance our commercial capabilities. In particular we have seen an improvement in our OTIF ('On-time-in-full') performance metric as we have available inventory to immediately fulfil a higher proportion of orders.

Net cash used in investing activities in the period was £20.3 million, which has increased from prior year (2022: £11.9 million) due to the acquisition of Connexicon, which is inclusive of the initial consideration and a further £7.0 million contingent consideration paid during the year following delivery of several research and development, regulatory and commercial milestones. £0.4 million of contingent consideration was also paid in the year as AFS achieved its 2022 EBITDA milestone. These items were partially offset by higher interest received on our cash balance.

Net cash used in financing activities in the period was £13.6 million, which has increased from prior year (2022: £6.3 million) due to shares purchased by the Employee benefit trust ("EBT") and a 10% increase in dividends paid.

At the end of the period, as a result of the above movements, the Group had net cash of £60.2 million (31 December 2022: £82.3 million), a decrease of £22.1 million in the period.

Working capital increased during the year. Inventory cover increased to 7.1 months of supply (2022: 6.2 months) due to planned increases in stock levels to fulfil anticipated commercial demand and to continue to build supply chain resilience. Receivables increased by £3.8 million (2022: £1.4 million increase) due to the impact of favourable hedging contracts and the addition of Connexicon. Debtor days have remained broadly consistent with prior period at 45 days (2022: 44 days). Creditor days reduced to 35 days (2022: 37 days) due to timing of payments. Total payables increased as a result of the addition of Connexicon and the associated contingent consideration and increased by £0.5 million (2022: £5.7 million increase).

Capital investment in equipment, R&D and regulatory costs of £9.8 million (2022: £9.9 million) has continued at a similar level as the Group continues to invest in growth.

Cash outflow relating to taxation increased to £4.4 million (2022: £3.3 million) due to the timing of payments on account.

The Group paid its final dividend for the year ended 31 December 2022 of £3.3 million in June 2023 (for the year ending December 2021, £3.0 million in June 2022), and its interim dividend for the six months ended 30 June 2023 of £1.5 million in October 2023 (for the six months ended 30 June 2022: £1.4 million in October 2022).

The proposed acquisition of Peters Surgical in 2024 will be funded by a new debt facility which includes a £60 million term loan facility and £30 million revolving credit facility, together (the 'New Debt Facility') with the balance of the consideration to be funded by the Company's cash.

### E Johnson

Chief Financial Officer

1 May 2024



**Following the acquisition of Peters Surgical, we expect the initial proforma net debt to EBITDA ratio of the enlarged Group to be approximately 1.5x and to reduce materially thereafter.**

## Risk Management

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



**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 62, 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.**

### Emerging risks

Emerging risks are 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.

### 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.

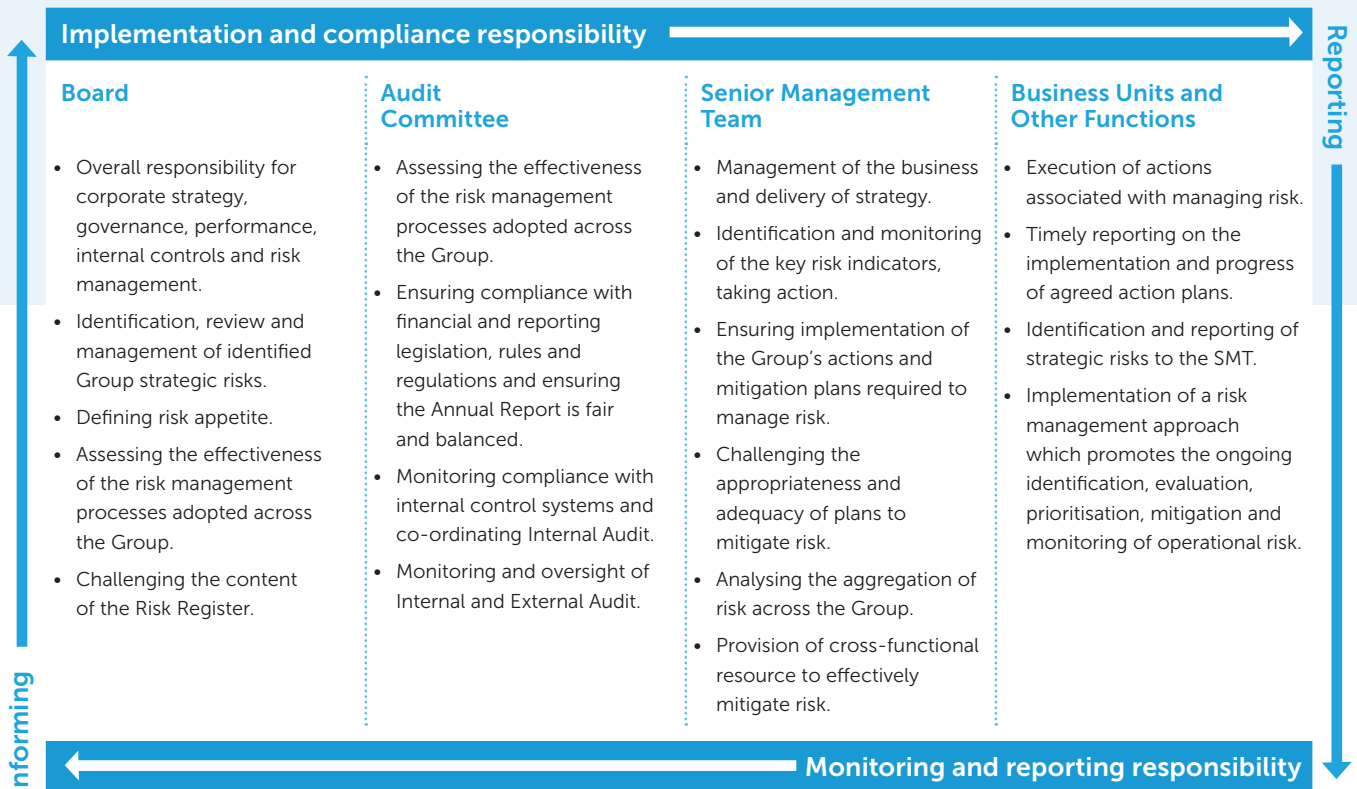
### Internal Audit

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.



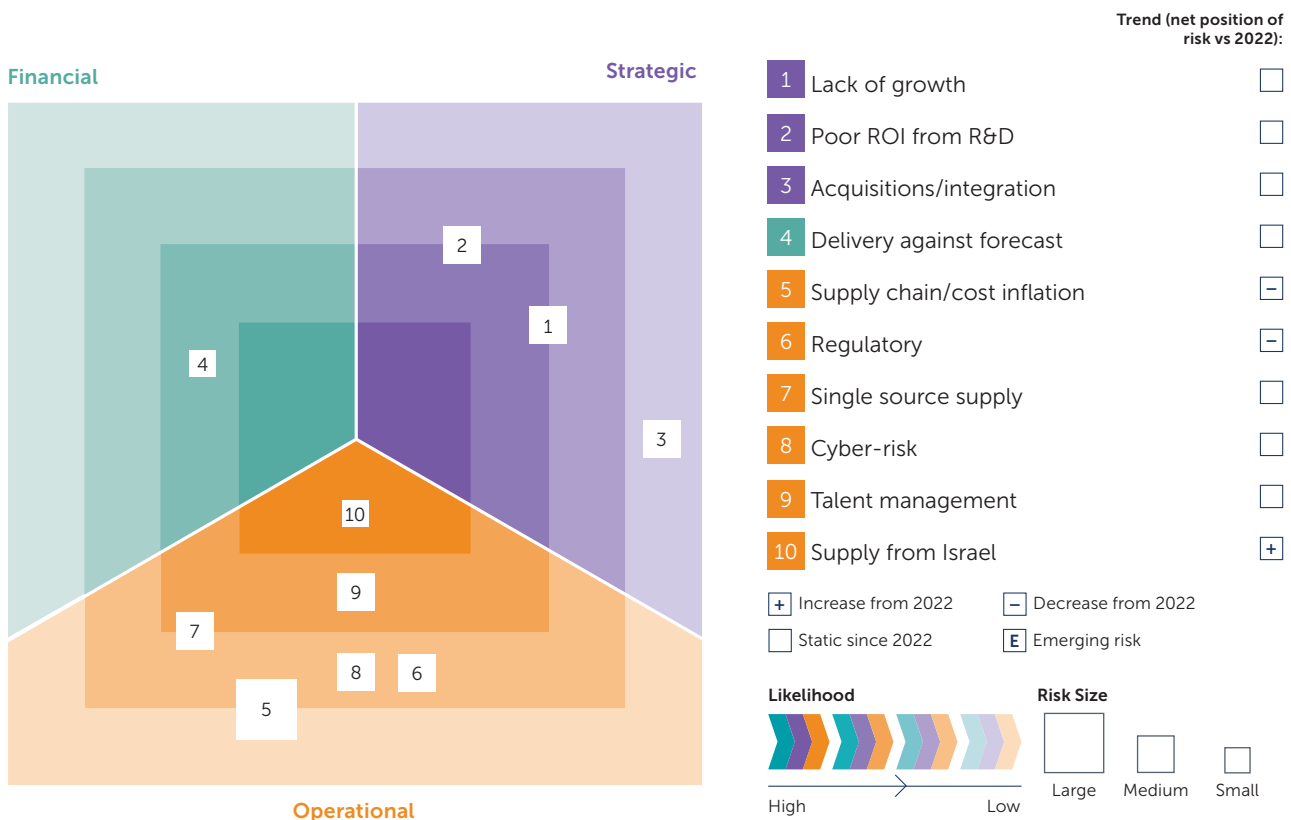


Key roles and responsibilities



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 **S** Sustainability

## 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 both accretive synergistic acquisition and significant acquisitions to help fuel growth.</li> <li>Diversified approach reduces the impact on any one project, partner or product.</li> <li>Contract minimas 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>	  Positive US LiquiBand® and LiquiFix® progress. Woundcare facing challenging market. Peters Surgical offers significant growth opportunities
<b>2</b> Poor return on investment from R&D <b>G I S</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>Dedicated internal resources allocated to M&amp;A.</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. Reduced risk after acquiring Peters Surgical with stable revenues and meets acquisition criteria. Increased risk regarding significant integration project










## 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. Trading update in September 2023 reset expectations

## Strategic linkage to risks

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

## Operational risks

Risk	Potential impact	Key controls and mitigating factors	Status
<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>	 Inflationary pressures and delayed deliveries are generally easing
<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. Extensive FDA interaction
<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>Extensive schedule of upgrades and threat analysis.</li> </ul>	  No change
<b>9</b> <b>Talent  management</b> <b>I O C S</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>	  No change
<b>10</b> <b>Supply from  Israel</b> <b>I O C</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>Open lines of communication.</li> <li>Further flexible working implemented.</li> <li>Continuous monitoring of impact on site and ability to manufacture.</li> <li>Ongoing review of alternate manufacturing options.</li> </ul>	 Potential political risk to shipping products and further employee call-ups

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 65 was approved by the Board of Directors and signed on its behalf by:

**E Johnson**  
Chief Financial Officer

1 May 2024

# Governance Overview

Focused on delivering transformational growth and ensuring AMS delivers on its vision and plans.



**Q&A**  
with  
**Liz Shanahan, Chair**

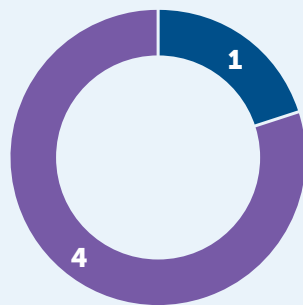
**Q** How do you feel about taking on the role of Chair?

**A** I am delighted to have assumed the role of Chair during this pivotal time with a refreshed Board. It is clear to me that the business has the ambition and capabilities to execute on the attractive long-term growth opportunities in its markets. This is underpinned by the team’s drive and expertise. I look forward to working with the Board at such an exciting time with such a transformative acquisition as Peters Surgical.

**Q** Do you feel the Board is well prepared for future success following the period of Board refreshment ?

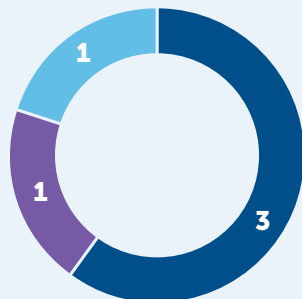
**A** The programme of Board refreshment to develop a diverse Board, taking into account the FTSE Women Leaders Review and our commitment to equality and diversity, is in the final stages and we will complete the recruitment process for a new Non-Executive Director in the near future. I believe the Board’s size and composition is appropriate for 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, and these skills are outlined below. We are focused on ensuring AMS continues to be a great place to work and attract great people, and on achieving our strategic goals through good governance and integrity across our entire business.

**Board gender diversity**



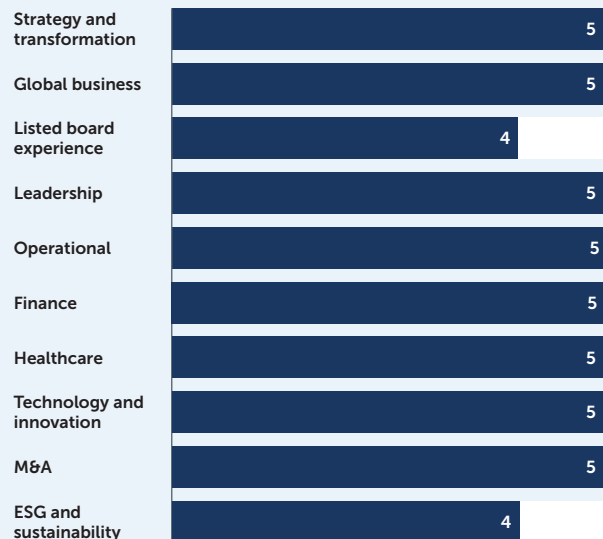
■ Female ■ Male

**Board tenure**



■ 0-3 years ■ >6 years  
■ 3-6 years

**Skills and experience**



### Governance framework

Our governance framework, which includes the Board and its three committees, is set out below with their responsibilities.

**Board**

- Oversees the long-term success of the Group and ensuring that there is a framework of appropriate and effective governance and controls which enables risk to be assessed and managed.
- Sets the Group's strategic aims, allocates resource to ensure that the necessary financial and human resources are in place to meet its objectives and reviews management performance.
- Determines the Group's purpose and values and monitors and assesses the Group's culture and ensures that its obligations to shareholders and other stakeholders are understood and met.



<p style="text-align: center;"><b>Nomination Committee</b></p> <ul style="list-style-type: none"> <li>• Reviews Board composition and proposes Board appointments</li> <li>• Considers Board and Senior Management succession planning.</li> <li>• Oversees diversity and inclusion targets for Board and Senior Management.</li> </ul>	<p style="text-align: center;"><b>Audit Committee</b></p> <ul style="list-style-type: none"> <li>• Oversees integrity of the Group's financial reporting, internal controls and risk management framework.</li> <li>• Ensures the Group complies with legal, regulatory and governance requirements.</li> <li>• Assesses the independence and effectiveness of external and internal auditors.</li> </ul>	<p style="text-align: center;"><b>Remuneration Committee</b></p> <ul style="list-style-type: none"> <li>• Ensures the Remuneration Policy supports the Group's strategy and promotes long-term sustainable success.</li> <li>• Oversees Policy implementation for Executive Directors and Senior Management.</li> <li>• Reviews workforce remuneration and related policies.</li> </ul>
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**Senior Management Team**

- Implements strategy for the Group's long-term success, monitoring performance and significant business projects initiatives against budget and strategy.
- Assists the CEO in executing authority delegated by the Board, making and implementing day-to-day operational decisions and oversight of the commercial issues.
- Monitors cultural activities, execution against the ESG strategy and day-to-day behaviours to ensure they are aligned with the Group's Mission, Vision and values.



**ESG Steering Committee**

- An Executive Committee chaired by the Chief Financial Officer that drives the ESG agenda within the Group, monitoring ESG performance and regularly reporting to the Board.
- Representatives from across the Group, including all sites and key functions (HR, Supply Chain, EHS, marketing) to consider issues from across the Group and improve communication.
- Meets regularly throughout the year with a number of Committees or groups reporting in (Altogether AMS (EDI), Net Zero Committee, ESG Champions).

### Governance highlights

#### Board

- Retirement of long-standing Chairman and appointment of a new Chair.
- Consideration of, and agreement for, the acquisitions of Peters Surgical and SyntaColl.
- Implementation of key long-term strategy relating to LiquiBand® in the US market.
- Consideration of 2023 performance and expectations of the market, both in the short and medium-term.
- Ongoing review of other M&A opportunities.
- Oversight and review of execution against the Strategic Pillars and Budget.
- Discussion and approval of capital expenditure.
- Oversight of progress made by the ESG Steering Committee.
- Consideration of Risk Register changes.
- Held workshops and assessed CFD requirements.

#### Nomination Committee

- Review of Committee composition, considering Directors' skills, knowledge and experience.
- Consideration of progress of diversity, equality and inclusion across the Group.
- Oversight of rigorous recruitment processes which led to appointment of a new Chair and progress on appointing a new Non-Executive Director, both taking into account best practice and FTSE Womens Leaders Review.
- Review of succession and talent at Board and Senior Management levels.

#### Audit Committee

- Consideration of Group's internal controls environment.
- Review of interim and full-year results statements prior to recommending to the Board for approval.
- Oversight of risk management framework and reporting.
- Review of corporate governance and audit reform proposals.
- Review of CFD and other non-financial disclosures.
- Review and approval of audit plan for 2023 external audit.
- Review 2023 internal audit reports and 2024-26 audit plan.
- Evaluation of the effectiveness of the external auditor and internal audit function.

#### Remuneration Committee

- Review, selection and appointment of remuneration advisers.
- Consideration of shareholder feedback from 2023 AGM.
- Developed Remuneration Policy taking into account best practice, external advice and shareholder views.
- Review of remuneration arrangements under the LTIP and annual bonus scheme.

## Board of Directors

A diversely skilled Board with proven leadership capabilities and relevant healthcare, operational, transformation and financial skills and experience.



### Committee membership key:

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

### Liz Shanahan Chair

N R

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 Sante 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 organisations Innovations Advisory Board.

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

### Chris Meredith Chief Executive Officer

N

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

#### Term of office

Liz Shanahan was appointed as Non-Executive Chair of the Group in January 2024

Chris Meredith was appointed to the Board in April 2006.

#### External appointments

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.

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.



**Eddie Johnson**  
Chief Financial Officer

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 Norcross plc and Western European Financial Controller for Sumitomo Electrical Wiring Systems.

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



Grahame Cook has 18 years of 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**  
Non-Executive Director



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.

Eddie Johnson was appointed to the Board in January 2019.

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.

None.

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.

## 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

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 of 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 Donnelly**  
Group R&D  
Director

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 Bespak, spending eight years at their Innovation Centre in Cambridge, UK.

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



**Lynaye Reynolds**  
Group Quality  
Director

Lynaye joined AMS in February 2023 as Group Quality Director. She has over 13 years' experience working within the medical device industry, having held various senior roles, most recently as Worldwide Quality Director at Peli BioThermal.

Lynaye has a strong background in the implementation of effective quality systems with specific focus in compliance, harmonisation across multiple sites, alignment of quality initiatives to strategic business goals, driving operational improvement, cost reduction, and developing a consistent quality culture.



**Cathy Tomlinson**  
Group HR  
Director

Cathy joined AMS in May 2017 as Group HR Director. Cathy graduated with a degree in Business Studies from Liverpool John Moores University and completed a 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).





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

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 advanced woundcare 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 Guang**  
Group Quality  
Assurance/  
Regulatory Affairs  
(‘QA/RA’) Director

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

Rose is also a 6 Sigma Master Black Belt.



**Ross McDonald**  
Business Unit  
Director, Surgical

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.

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.



**Becky Walmsley**  
Business Unit  
Director,  
Woundcare

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.



**Jonathan White**  
Group Operations  
Director

Jonathan joined AMS in January 2022 as Operations Director for Woundcare and became Group Operations Director in March 2023. He has over 30 years' experience in various operating roles in both FMCG and Medical Device environments. After ten years with Nestle, Jonathan moved to Diageo where he was involved in two high-profile acquisitions in Africa, subsequently led the Manufacturing Excellence programme for the Guinness business before moving into a role as Operations Director for Guinness Packaging. More recently he was Site Director at Convatec's Deeside site.



**Owen Bromley**  
Company  
Secretary

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

**We believe that sound corporate governance and effective oversight provide the foundations of a successful and sustainable business.**



## Dear Shareholder,

On behalf of the Board, I am pleased to present the Corporate Governance Report for the year ended 31 December 2023.

Strong Corporate Governance remains critical for AMS as we start to integrate the acquisitions announced in March 2024 and begin to reap the rewards of the new US LiquiBand® strategy and US LiquiFix® launch whilst continuing to invest in innovation and progressing our ESG strategy.

The Board believes that shareholder engagement and strong corporate governance are critical to the success of our strategy, outlined on Pages 16 to 21, and to delivering long-term, sustainable shareholder value.

## Changes to the Board and Succession Planning

In 2023, having been Chair for more than the nine years as recommended by the UK Corporate Governance Code, Peter Allen retired as Chairman on 31 December. I am honoured to have been appointed as his successor, following an extensive search, which included both internal and external candidates. Knowing some of our strategic ambitions, we are in the process of appointing a Non-Executive Director with the skills we require moving forward and to further diversify the Board.

I believe the Board has the skills and experience to guide the future success of the business and steer us through a critical period while we continue to implement our new US LiquiBand® strategy with the three key partners which was announced in 2023 and embed the transformational acquisition of Peters Surgical, which will make significant changes to the Group in the coming years.

## 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 pages 76 and 77 and on our website [www.admedsol.com](http://www.admedsol.com). The Code reinforces the need to understand shareholder views and consider these as part of our decision-making. Details of how we engage with our stakeholders are set out on Pages 55 to 56.



## A diversely skilled Board with proven capabilities and relevant healthcare, operational and financial skills and experience.

### 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 in 2024, including arranging an ESG Internal Audit conducted by RSM to cover current reporting and assess our progress against commitments, supply chain engagement, reporting frameworks and Net Zero commitments made by peer companies. Our ESG framework provides the basis for us to continue to make progress on ESG in future years, progressing our Pathway to Net Zero, which has a commitment date of 2045 and increasing our focus on the Social and Governance parts of ESG. Details of our progress is set out in the ESG Report on Pages 28 to 29.

### 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 2023 in facing the challenges facing the Group.

We have taken significant steps to progress our strategy, in particular completing the critical new US LiquiBand® route-to-market strategy that will be the cornerstone of our growth in 2024.

I strongly believe that AMS remains well positioned to take advantage of opportunities as they arise, and that the strategically critical acquisition of Peters Surgical, which will change the size and scope of our future opportunities, is the catalyst to drive long-term sustainable growth. During the coming year, in addition to further strengthening our corporate governance, the Board will focus on:

- Integrating the acquisition of Peters Surgical.
- Driving growth of US LiquiBand® and LiquiFix® in the US.
- Continuing to progress the implementation of our ESG strategy.

### Liz Shanahan

Chair

1 May 2024

### 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 nine 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 2023:

Board member	Board
Peter Allen	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ 9/9
Grahame Cook	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ 9/9
Eddie Johnson	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ 9/9
Douglas Le Fort	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ 9/9
Chris Meredith	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ 9/9
Liz Shanahan	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ 9/9

In 2023, as part of the focus on key stakeholders, the Board has continued to focus on ESG making progress as outlined in the ESG Report on pages 24 to 36, with a focus on developing our Pathway to Net Zero. We have committed to becoming Net Zero by 2045.

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 which achieved record levels of participation, and CEO video conferences with each site. Management have regularly updated the Board on employee engagement throughout the year. The engagement score in our 2023 employee engagement survey indicates a high overall level of satisfaction in the workforce, if slightly lower than 2022 driven by the Group performance in 2023 and change of strategy in the US, confirming our expectation that the actions taken from the output of the 2022 survey had been positively received. In 2024 we will be focusing on proactive ways to further increase engagement.

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') in recent years and, despite the MDR deadlines being moved back, we continue to work towards the original timeline. Direct engagement with our significant shareholders in recent years on ESG, Remuneration Policy and Board refreshment meant that our plans have been clearly communicated, and will continue to be moving forward. There was further engagement outside of the usual discussion with management in 2023, relating to a Trading Update issued on 4 September 2023.

Details of our principal risks are set out on Pages 63 to 65. 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 2023 is set out on Page 76.

# Corporate Governance Report continued



## 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.

## 2024 AGM

In 2024, we will put forward all Directors for re-election in accordance with Code Provision 18.

Liz Shanahan owns shares in the Company as shown on **Page 94**. 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 2024 AGM will be convened at 11.00am on 12 June 2024. 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 AGM results 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, Sustainability/ESG and Climate-Related Financial Disclosures ('CFD') 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 54 to 57**.

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) was relaunched in February 2024 with a contemporary design, refreshed content, an enhanced user experience and SEO-Ready functionality. It is regularly updated and provides additional information on the Group, including information on the Group's products, technology and work on sustainability/ESG.

## 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. The information below reflects the Board at the time of issuing the Annual Report in 2024.



**Liz Shanahan,**  
Chair

- 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.



**Chris Meredith,**  
Chief Executive  
Officer

- 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.



**Grahame Cook,**  
Senior Independent  
Director

- 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.



**Douglas  
Le Fort,**  
Non-Executive  
Director

- 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).

# Corporate Governance Report continued

## 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.

Both Peter Allen, who retired as Chair on 31 December 2023, and Liz Shanahan, who was appointed as Chair on 1 January 2024, were considered independent upon their 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.

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 were members of the Audit, Remuneration and Nomination Committees. Peter Allen was a member of the Remuneration and Nomination Committees. Chris Meredith is a member of the Nomination Committee.

Peter Allen retired as Chairman on 31 December 2023. Upon her appointment as Chair on 1 January 2024, Liz Shanahan stepped down from the Audit Committee.

## Board Composition

The Board comprises the Non-Executive Chair, two Executive Directors and three Non-Executive Directors. The Directors' profiles on Pages 68 and 69 detail their experience and suitability for leading and managing the Group. Together they bring a valuable range of expertise and experience. No individual or group of individuals dominates the Board's decision making process. Both the previous Chairman and new Chair foster a climate of open debate in the Boardroom, built on a 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, usually involving an external recruitment agency, 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 and commenced the process to appoint a new Non-Executive Director can be found on Page 80.

## Diversity

We recognise the importance of diversity. 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 2023 was 20%. The FTSE Womens Leaders Review target (40%) is being considered during the recruitment process for a new Non-Executive Director and is a key part of 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 has made further progress in 2024 and 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.

## Matters considered by the Board in 2023 included:

- Strategic plans.
- EBT/share buyback.
- Acquisition strategy including potential acquisition targets and valuations (specifically Peters Surgical and SyntaColl).
- Impact of inflation and rising cost of living.
- Supply chain resilience.
- Environmental, Social, Governance ('ESG').
- Climate-Related Financial Disclosures ('CFD').
- Dividend policy.
- MDR and regulatory pathways.
- Health and safety.
- UK Corporate Governance Code compliance.
- Board refreshment.
- Directors' responsibilities.
- Group delegation of authority policy.
- Risk review.
- 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.
- Development of new Corporate Website.

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 77, 83, 100 and 112.

### 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 93 to 95 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 six members throughout 2023, decreased to five on 1 January 2024. The Board tenure during 2023 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 (retired)	4 December 2013											N/a
Grahame Cook	1 February 2021											12 June 2024
Chris Meredith	11 April 2006											12 June 2024
Eddie Johnson	1 January 2019											12 June 2024
Douglas Le Fort	2 August 2021											12 June 2024
Liz Shanahan	1 August 2022											12 June 2024

### Induction and Professional Development

Each new Director is given a formal induction process covering how the Board and Committees operate, meetings with Senior Management, information on strategy, products and performance and access to policies and other key documents. Further details can be found in the Nomination Committee Report on Page 79.

Training and development needs of Directors are reviewed regularly. The Directors are kept appraised of developments in legal, regulatory and financial matters 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 80.

### Audit, Nomination and Remuneration Committees

The Committee Reports can be found on Pages 81 to 84, 78 to 80 and 85 to 95 respectively.

### Going Concern

In carrying out their duties in respect of Going Concern, the Directors have carried out a review of the Group's financial position and cash flow forecasts for the next 12 months from the signing of the accounts.

These have been based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the current economic environment. The Directors are confident the business can withstand the challenges and is a Going Concern, due to the significant headroom available.

With regard to the Group's financial position, it had net cash of £60.2 million at December 2023 (31 December 2022: £82.3 million). To fund the acquisition of Peters Surgical, which is expected to complete in mid-2024, the Group has arranged new £90 million debt facilities that mature in March 2027 and thereafter can be extended by two consecutive twelve-month periods. The Directors expect the initial proforma net debt to EBITDA ratio of the enlarged Group to be approximately 1.5x and given its strong cash generation profile expect leverage to reduce materially thereafter.

Demand for the Group's products remains strong. 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, although the issues seen in the last two years appear to have subsided; inflation has fallen significantly in most countries which has eased the cost-of-living crisis, although workforce issues remain 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. The Going Concern assessment considered both the scenario that the Peters acquisition is completed and does not complete.

### Remuneration

The level of remuneration of the Directors is set out in the Remuneration Report on Pages 91 to 95.

## Nomination Committee Report

**A successful period of refreshment, creating a Board with the skills and experience to drive future growth.**



### Dear Shareholder,

As Chair of the Nomination Committee, I am pleased to present the Committee's report for the year ended 31 December 2023. I am presenting this report as I was appointed as Chair of the Group, and Chair of the Committee, on 1 January 2024 following the retirement of Peter Allen.

As a Board we recognise that a balanced and diverse Board, with a broad range of skills, experience and knowledge, is more likely to be an effective Board. In support of our vision of a world where the outcome of every patient can benefit from our products and a company where every employee feels invested and valued, and with the ultimate aim of creating sustainable value for all our stakeholders, we continue to focus on ensuring that we have that right balance of skills, knowledge and diversity, both on the Board and within our SMT.

An equally important role for the Committee is ensuring that we have an appropriate pipeline of future talent within the business. The Committee regularly reviews succession plans, not only for the Board, but also for the SMT.

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

Since 2020 we have implemented our plan to refresh the composition of the Board is progressing well with my appointment as Chair and the ongoing process to appoint a Non-Executive Director. The appointments considered the FTSE Women Leaders Review and our commitment to equality and diversity.

I believe that the actions taken ensure that the Board's size and composition is appropriate for a Group of AMS's size, complexity and nature, with a positive mix of nationalities and genders. We now look forward to a period of Board stability and at developing the Board, as all of the Non-Executives have been in place for less than three years.

We are now in the best possible position to drive long-term sustainable growth for the benefit of our stakeholders, with the leadership required to drive the success of the new, enlarged Group following the transformational acquisition of Peters Surgical which was announced in March 2024.

### Liz Shanahan

Chair of the Nomination Committee

1 May 2024





## The Committee will focus on the embedding and development the Board following significant change.

### Attendance record and tenure in 2023



**Peter Allen (Chair)**  
(retired 31 Dec 2023)  
Tenure: 10 years

Meetings attended:

**6/6**



**Grahame Cook**  
Tenure: 3 years

Meetings attended:

**6/6**



**Douglas Le Fort**  
Tenure: 2.5 years

Meetings attended:

**6/6**



**Chris Meredith**  
Tenure: 13 years

Meetings attended:

**6/6**



**Liz Shanahan**  
Tenure: 18 months

Meetings attended:

**6/6**

### Board changes in the year

The Committee oversaw a rigorous recruitment process for the appointment of a Chair following the retirement of Peter Allen on 31 December 2023. At the conclusion of this process we were delighted that Liz Shanahan was appointed as Chair on 1 January 2024, having initially joined 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. Dzaleta has no connection with the Company or any individual Director. A shortlist of candidates, both internal and external, were interviewed by members of the Board.

Liz 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 a new Non-Executive Director be recruited to bring the Board back to six members (including three Non-Executive Directors). Liz took on responsibility for leading this process, which is progressing well.

The new Non-Executive Director will take on responsibility for Workforce Engagement, following Liz's appointment as Chair.

Following any appointment, the new Non-Executive Director will receive a tailored induction programme to develop their understanding of AMS, strategy and governance structure, as well as their own duties and responsibilities. They will spend time with the Executive Directors, Non-Executive Directors, Senior Management Team, Company Secretary and other key personnel. They will also receive a briefing on their role and duties as a Director of a publicly traded company from external advisers.

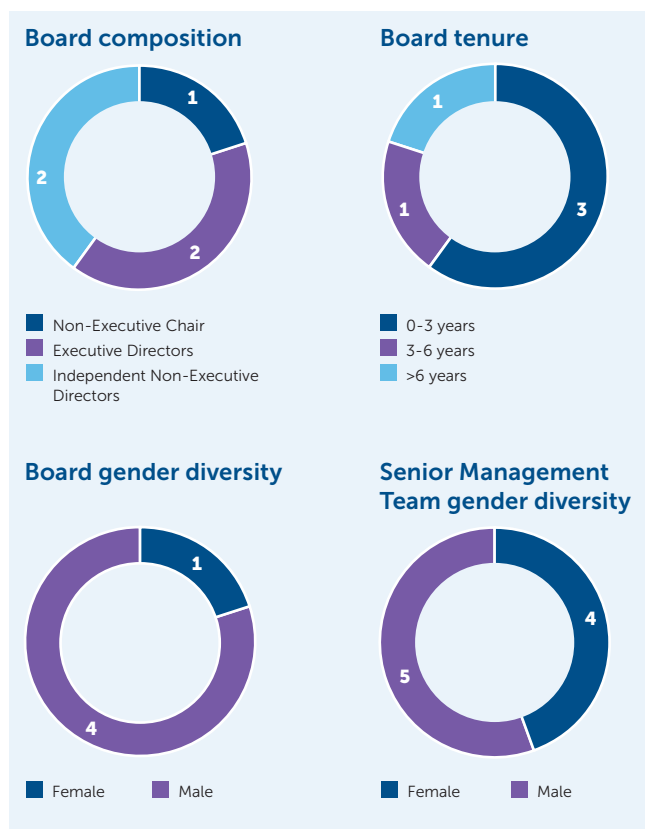
### Non-Executive Director appointment process

Board composition is central to effective leadership of the Group and 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 Board diversity, including gender, social and ethnic backgrounds, cognitive and personal strengths, and being 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.

# Nomination Committee Report continued

## Gender diversity

Following the appointment of a new Chair, female representation on the Board is 20% (2022: 16.7%). AMS views development of female Executive talent as important, which is reflected in the female representation in the Senior Management Team, which stands at 43% (2022: 43%).



## Activity in the year

The Committee focused on the appointment of a new Chair in 2023. We appointed Dzaleta Consulting for all executive searches in 2023. 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 2023. 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 2024

The Committee will continue to support the embedding of the new Chair in 2024, as well as developing the Board as all of the Non-Executives have been in place for three years or less. 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, current 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 Mission, Vision, Values and Culture.

### 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 and risk management, protect shareholders' interests and support long-term sustainable growth.**



### Dear Shareholder,

As Chair of the Audit Committee, I am pleased to present the Committee's report for the year ended 31 December 2023.

Douglas Le Fort and Liz Shanahan were members of the Committee throughout the year. Liz stepped down from the Committee upon her appointment as Chair on 1 January 2024, in line with best practice.

The Committee formally met three times during 2023, as well as a number of ad hoc meetings with the external and internal auditors.

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. 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.

The Committee has a structured programme of activities focused on the Group's reporting cycle, principal risks and future strategy, as outlined in Our Strategy on Pages 16 to 21. Robust internal controls and risk management systems help ensure the resilience of the Group, while remaining operationally agile and adaptable. Our work is supported by our External Auditors, Deloitte, and our Internal Auditors, RSM.

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.

### Grahame Cook

Chair of the Audit Committee

1 May 2024

# Audit Committee Report continued

## Attendance record and tenure in 2023



**Grahame Cook**  
(Chair)  
Tenure: 3 years  
Meetings attended:  
**3/3**



**Douglas Le Fort**  
Tenure: 2.5 years  
Meetings attended:  
**3/3**



**Liz Shanahan**  
Tenure: 18 months  
Meetings attended:  
**3/3**



**Progress has been made to deliver assurance on ESG reporting, resilience, risk management and controls.**

## Key objectives of the Audit Committee

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's responsibilities include:

- 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 periodically consider a tender process.
- Review audit and non-audit services provided by the external auditor and fees for such services.
- Review the Committee's Terms of Reference annually to ensure all key areas are considered and that the Committee's remit and activities are in line with best practice. These were last updated in December 2023.

## 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, or create conflicts. 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 2023 where expenditure exceeded the £10,000 threshold for approval by the Committee, which was the £31,000 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 16 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. In accordance with best practice, the audit partner rotates every 5 years.

Periodic consideration is given to tendering the position of external auditor. In the opinion of the Committee Deloitte continues to provide an effective service.

## Audit Committee activities

During 2023 the Committee undertook the following activities:

Topic	2023 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 2023.</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>Assessed risk management, internal controls, the risk and control reporting structure and the ongoing process to monitor the principal risks of the Group.</li> <li>Assessed preparation for the Climate-Related Financial Disclosures (CFD).</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 2023 audit, reviewed the performance of the External Auditor, considered the reappointment of Deloitte LLP as Auditor for 2024 and recommended their reappointment to the Board. The Audit Partner responsibility rotated 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 2023 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 2023 to cover 2024–2026. 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 a report for each meeting.

In 2023 the Internal Auditor undertook reviews in line with the Internal Audit Plan previously agreed by the Committee. In 2023 the principal areas were:

- Environmental, Social and Governance ('ESG').
- Acquisition integration.

These reports highlighted to the Committee that, although the Group's internal controls 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 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.
- 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 December 2023.

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

The Committee, Board and Management each formally review the Risk Register at least twice a year. Risks are evaluated for both likelihood and financial impact, helping to identify the most significant risks the business faces. Actions are agreed to mitigate the risks and progress is regularly assessed. The process for identifying, evaluating and managing the risks faced by the Group is ongoing throughout the year. As part of the External Auditor's annual review process, any key risks and areas of audit focus are also identified and agreed with the Committee.

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 2023, and a list of all Group insurance Policies, to ensure there is sufficient coverage in all key areas. These reviews will continue be held annually.

## Remuneration Committee Report

**Our remuneration policy focuses on our performance, values and delivery of long-term sustainable growth by aligning the interests of our key stakeholders.**



### Dear Shareholder,

I am pleased to present the Remuneration Committee Report for the year ended 31 December 2023.

Peter Allen, Grahame Cook and Liz Shanahan were members of the Committee throughout the year. At the end of 2023 Peter Allen stepped down as Chairman of AMS and I would like to thank him for his valuable service to the Committee. The Committee formally met three times during 2023.

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.

AMS takes governance seriously and we remain committed to high standards of corporate governance. 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. The Committee continues to be committed to positive and proactive engagement with shareholders, as we have shown in prior years with a number of consultations.

A resolution will be put to shareholders at the AGM on 12 June 2024 asking shareholders to consider and approve this Report. I hope that we can count on your support. Shareholders considered a similar resolution at the 2023 AGM and supported it by 98.78% of the votes cast.

On behalf of the Committee, I would like to thank you for your support and I trust you will find the Directors' Remuneration report useful and informative.

### Douglas Le Fort

Chair of the Remuneration Committee

1 May 2024

# Remuneration Committee Report continued

## Attendance record and tenure in 2023

 <b>Douglas Le Fort</b> (Chair) <b>Tenure:</b> 2.5 years <b>Meetings attended:</b> <b>3/3</b>	 <b>Peter Allen</b> (retired 31 Dec 2023) <b>Tenure:</b> 10 years <b>Meetings attended:</b> <b>3/3</b>
 <b>Grahame Cook</b> <b>Tenure:</b> 3 years <b>Meetings attended:</b> <b>3/3</b>	 <b>Liz Shanahan</b> <b>Tenure:</b> 18 months <b>Meetings attended:</b> <b>3/3</b>

## Remuneration for 2023

The annual bonus awards and Long-Term Incentive Plan ('LTIP') vesting in 2023 for the Executive Directors were as follows:

### Annual bonus

The performance conditions for the Executives 2023 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 (£126.2m) was below the threshold (£129.2m) and target (£136.0m).
- Adjusted PBT of £25.9 million was below the threshold figure of £31.3 million.
- Personal objectives are linked to corporate, financial, strategic and non-financial objectives (see Pages 89 and 91). The Committee determined that 70% of these objectives were achieved.

### LTIP

LTIP awards granted to Chris Meredith and Eddie Johnson in April 2020 vested in 2023 with performance criteria and weightings as follows:

- TSR (50%) – the performance period ended on 14 April 2023. The Company ranked just above the median (29th out of 61 comparators) which resulted in a vesting of 35%.
- EPS (50%) – the growth in EPS was calculated over the three financial years to 31 December 2022. The average annual growth was 13.77%, above the threshold level of 5% which resulted in a vesting of 68.8%.
- Overall across both elements the final vesting result was 51.9%.

### Implementation of Remuneration Policy in 2023

The Committee undertook a review of the Remuneration Policy ('Policy') in 2022 which reviewed salaries and the bonus scheme.

In January 2023 Chris Meredith's salary was increased from £364,000 to £378,560, an increase of 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.

The Committee reviewed the Policy in December 2023, focusing on the incentives (annual bonus and LTIP) which have both seen low pay-outs and vesting in recent years.

This is a concern in terms of retention and future recruitment as the Policy focuses on lower base salaries and higher incentives.

### LTIP

- Minor amendments to TSR and EPS calculations in line with market practice and guidance from Ellason.
- Reviewed and selected a more appropriate peer group to determine the proportion of the Award vesting under Total Shareholder Return (TSR).
- For Senior Managers apart from the Executive Directors, introduced a Conditional Award alongside the existing Performance Conditions (Total Shareholder Return and EPS growth), providing a proportion for continued employment throughout the vesting period (Good Leaver provisions outlined in the LTIP rules apply).

### Bonus

- Bonus minimum and maximum thresholds ranges will be standardised at +/-5% for around both Revenue and PBT.

### Compliance with the 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).

The Code was updated in January 2024. We will implement the changes required with effect from 1 January 2025 and report on any areas where we do not comply.

Full details of the share schemes offered to the Executive Directors can be found on Page 91 and 92. 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, promote pay for performance, be 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 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 68 and 69**. 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 2023 are outlined below:

Month	Principal activities
<b>March</b>	<ul style="list-style-type: none"> <li>• Review of 2022 personal objectives and implications for Bonus and Deferred Annual Bonus awards.</li> <li>• Discussion on 2023 personal objectives for the Executive Directors and review of 2023 Corporate Objectives.</li> <li>• Review and ratification of amended 2023 annual bonus scheme.</li> <li>• Review of 2023 LTIP and share option awards for 2023 (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 2023 and set investment limits.</li> </ul>
<b>October</b>	<ul style="list-style-type: none"> <li>• Reviewed progress of 2023 personal objectives for Executive Directors.</li> <li>• Reviewed status of 2023 bonus.</li> <li>• Ratification of an additional award of share options for key employees.</li> <li>• Review of results of Committee Self Assessment questionnaire.</li> <li>• Renewal of Executive Shareholding Policy and Good Leaver Delegation Policy.</li> <li>• Cost-of-Living and 2024 Budget planning discussion.</li> </ul>
<b>December</b>	<ul style="list-style-type: none"> <li>• Discussed 2024 salaries for the Executive Directors, SMT and workforce overall.</li> <li>• Discussed implications of the cost-of-living increase for 2024.</li> <li>• Review of Remuneration Policy and LTIP renewal.</li> <li>• Initial review of achievement of 2023 personal objectives and Corporate Objectives.</li> <li>• Discussion regarding 2024 personal objectives for Executive Directors.</li> <li>• Review of compliance with Executive Shareholding Policy.</li> <li>• Review of Gender Pay analysis.</li> <li>• Reviewed Terms of Reference, Directors' Expenses Policy and 2024 Remuneration Committee Meeting dates.</li> </ul>

# Remuneration Committee Report continued

## Remuneration Policy

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

There are four key aspects to the Policy:

- **Strategically aligned** – Aligned with our strategy and culture. Share ownership drives the right long-term behaviour. Executive Directors 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 previously 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 2023, except for five SMT members. Three of the SMT members have been with the Company for less than five years and the remaining two are marginally beneath the target, impacted by the lower share price in December 2023.

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 2023 to provide guidance. However, they were engaged in January 2024 post period-end. Ellason are the only adviser which provides material assistance to the Committee:

Advisors	Fees for Committee assistance
Ellason LLP	ENil (2022: ENil)

## 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 2023 financial year was 4% for the SMT and the broader employee population, which took effect from 1 January 2023.

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 on Page 86. 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 2024.

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 continued in 2023.

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

At the 2023 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	136,108,441	98.78%	1.22%

## 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 91. A review was last carried out in December 2023.</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 Page 92.</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 Page 91. Clawback provisions also apply to the DAB.</p>	N/A
<b>Share Incentive Plan (SIP)</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 shares and 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 2023 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. For Senior Management apart from the Executive Directors and below, these elements are reduced to 25% each and a conditional award of 50% is awarded for continuous employment in the vesting period. There are malus and clawback provisions in place.</p> <p>In 2024 and moving forward, there will be minor amendments to the awards as outlined on page 86 in line with market practice.</p>	<p>No shares shall vest from the proportion of the Award determined by reference to the a selection of peer companies (previously 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 performance against targets in pence 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 (previously 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%. The conditional award provides full vesting for employment throughout the vesting period.</p> <p>The Committee has flexibility to make adjustments to performance conditions to ensure the Award achieves its purpose. Vesting is subject to the Committee being satisfied that the Group's performance on these measures is consistent with the performance of the business.</p> <p>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 and clawback 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). The clawback provisions allow for clawback of previously granted Awards in the same circumstances as set out above.

### Directors' emoluments – single figure of remuneration (2022 and 2023)

	Salary and fees		Annual Performance Bonus		Deferred Bonus		LTIPs vested <sup>1</sup>		Gains on SIP vested <sup>1</sup>		Benefits		Pensions		Total remuneration	
	23	22	23	22	23	22	23	22	23	22	23	22	23	22	23	22
Chris Meredith	379	339	–	218	–	73	317	112	78	55	1	1	38	34	813	832
Eddie Johnson	250	218	–	95	–	32	90	24	49	20	1	1	25	22	415	412
Peter Allen	97	94	–	–	–	–	–	–	–	–	–	–	–	–	97	94
Penny Freer <sup>2</sup>	–	27	–	–	–	–	–	–	–	–	–	–	–	–	–	27
Grahame Cook	57	53	–	–	–	–	–	–	–	–	–	–	–	–	57	53
Douglas Le Fort	54	48	–	–	–	–	–	–	–	–	–	–	–	–	54	48
Liz Shanahan <sup>3</sup>	46	18	–	–	–	–	–	–	–	–	–	–	–	–	46	18
<b>Total</b>	<b>883</b>	<b>797</b>	<b>–</b>	<b>313</b>	<b>–</b>	<b>105</b>	<b>407</b>	<b>136</b>	<b>127</b>	<b>75</b>	<b>2</b>	<b>2</b>	<b>63</b>	<b>56</b>	<b>1,482</b>	<b>1,484</b>

1. Gains on SIPs vested is based on the share price at vesting date. Details of the SIP can be found on Page 89.

2. Penny Freer retired on 8 June 2022.

3. Liz Shanahan was appointed to the Board on 1 August 2022.

The table above summarises the payments made and amounts earned by the Executive and Non-Executive Directors for the 2022 and 2023 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). The Executive Directors were granted LTIPs as detailed on Page 92. All Directors have confirmed that they have not received remuneration save as disclosed above.

### Salaries and fees

Details of 2023 salaries for the Executive Directors are outlined on Page 86 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 86. The personal objectives for the Executive Directors for the year ended 31 December 2023 included the successful conclusion of negotiations with US distributors to put the business in a stronger position from the beginning of 2024, progress in OTIF and backorder, enhanced M&A market mapping and intelligence, and submission of files for MDR review in line with the original timeline. The table below summarises 2023 performance against the targets:

Performance measures	Weighting	Threshold £m	Target £m	Stretch £m	Achievement £m	2023 result (% of maximum)
Group Revenue	35%	129.2	136.0	142.8	126.2	0%
Adjusted Profit Before Tax	35%	31.3	31.8	33.4	25.9	0%
Personal objectives/values assessment	30%	Committee assessed that the Executive Directors achieved 70% of their objectives			70%	0%
<b>Total</b>	<b>100%</b>					<b>0%</b>

## Remuneration Committee Report continued

The bonus for 2023, which would have been payable in April 2024, is £Nil as the threshold for PBT was not achieved. Despite this the Remuneration Committee still assessed the Personal Objectives for Chris Meredith and Eddie Johnson, with both achieving 70%.

Director	Revenue	PBT	Objectives	Total %
Chris Meredith	0%	0%	70%	0%
Eddie Johnson	0%	0%	70%	0%

2024 objectives are commercially sensitive and not detailed in this Report.

2023 bonus payments in respect of 2022 were as follows:

Director	Bonus paid in 2023 (FY 2022)	Deferred	Percentage of salary (total bonus)	Maximum % of salary
Chris Meredith	£217,753	£72,584	86%	150%
Eddie Johnson	£94,601	£31,534	58%	100%

### Vesting of LTIPs for the year ended 31 December 2023

Details of the LTIP performance conditions for the LTIPs granted on 14 April 2020, which produced a 51.9% vesting result on 14 April 2023, are shown on Page 86.

### Directors' interests in the LTIP

On 14 April 2023 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	2.331	324,805	£757,120	See Page 90
Eddie Johnson	Nil-cost option	125% of salary	2.331	134,063	£312,501	See Page 90

### Outstanding Share Awards – Maximum under the LTIP

Director	As at 1 January 2023	Exercised in the year	Issued in the year	Lapsed in the year	As at 31 December 2023	Market price at grant date (p)	First vesting date
Chris Meredith	254,812	–	–	122,565	132,247	239.00	14 April 2023 (vested)
	238,963	–	–	–	238,963	257.40	23 April 2024
	239,552	–	–	–	239,552	303.90	14 April 2025
	–	–	324,805	–	324,805	233.10	14 April 2026
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)
	8,221	–	–	–	8,221	328.75	24 April 2022 (vested)
	72,197	–	–	34,727	37,470	239.00	14 April 2023 (vested)
	67,706	–	–	–	67,706	257.40	23 April 2024
	89,832	–	–	–	89,832	303.90	14 April 2025
–	–	134,063	–	134,063	233.10	14 April 2026	

Chris Meredith exercised Nil LTIPs in 2023 (2022: 395,355). Eddie Johnson exercised Nil LTIPs in 2023 (2022: 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 2023 save as disclosed on Page 91. 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 2023, 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>			
Grahame Cook	1 February 2021	Rolling contract	6
Douglas Le Fort	2 August 2021	Rolling contract	6
Liz Shanahan	1 August 2022 (updated 1 January 2024)	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 2023.

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 2022	Beneficially owned <sup>1</sup> at 31 December 2023	Outstanding LTIP awards at 31 December 2023	Outstanding DAB awards at 31 December 2023	Outstanding share awards under SIP at 31 December 2023	Shareholding as a % of issued Share Capital at 31 December 2023
Chris Meredith	1,748,478	1,788,221	935,567	37,357	144,296	0.82%
Eddie Johnson	157,742	125,721	417,032	26,265	96,106	0.06%
Peter Allen (retired 31 December 2023)	50,000	50,000	–	–	–	–
Grahame Cook	Nil	Nil	–	–	–	–
Douglas Le Fort	Nil	Nil	–	–	–	–
Liz Shanahan	Nil	54,785	–	–	–	–

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



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 2023 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	1,713,912	92,179	66,124	37,357	1,909,572	£757,120	3,991,004	527%
Eddie Johnson	46,906	119,111	62,176	26,265	254,998	£500,000	543,945	107%

\* 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	2019	2020	2021	2022	2023
Total remuneration (£'000)	770	537	543	832	813
Annual Performance Bonus (% of maximum)	0%	0%	32.2%	57.8%	86%
LTIP vesting (% of maximum)	90.3%	73.1%	0%	21.2%	51.9%

## Relative importance of spend on pay

Year ended 31 December	2022 (£m)	2023 (£m)	Change %
Staff costs	46.1	49.0	6%
Dividends*	4.3	4.8	9%
Tax	5.5	5.3	-4%
Profits for year attributable to owners of the Parent	20.4	15.9	-22%

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

£1,582,000 (2022: £1,960,000) of staff costs relate to pay for the Directors, of which £874,000 relates to the highest-paid Director (2022: £1,185,000). Total pension contributions were £1,615,000 (2022: £1,497,000) and for the highest-paid Director £38,000 (2022: £34,000).

During 2023, distributions to shareholders included a dividend of £3,265,000 paid on 9 June 2023 (2022: £2,960,000) and £1,510,000 paid on 27 October 2023 (2022: £1,381,000). It is proposed that a dividend of 1.66p per share be paid on 21 June 2024. Further details are provided in Note 14 on Page 125.

## 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 135 to 138.

The GSOP allows employees to be granted approved or unapproved options. Under the approved part of the GSOP, UK employees can receive up to £60,000 by market value of the shares on the grant date and benefit from the growth in value of those shares. This limit increased from £30,000 in April 2023.

## Share performance – 2023

The opening share price for 2023 was 259p and the closing price, on the last trading day of the year, was 207.50p. The range during the year was 274.50p (high) and 177.20p (low) (Source: Daily Official List of the London Stock Exchange).

# Directors' Report

For the year ended 31 December 2023

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

Disclosure	Location
Principal activities, business review and future developments	Throughout the Strategic Report – Pages 6 to 65
Results	Financial Statements – Pages 99 to 147
Corporate Governance	Corporate Governance Report – Pages 72 to 77
Directors' remuneration including Directors' interest in the share capital of the Company	Remuneration Committee Report – Pages 85 to 95
Principal Risks and Uncertainties	Principal Risks and Uncertainties – Pages 63 to 65
Financial instruments and risk management	Note 24 to the Financial Statements – Pages 132 to 134 and in the Strategic Report – Pages 61 to 65
Research and development activities	Strategic Report – Pages 6 to 65 Financial Review on Pages 58 to 60
Shareholder, employee and stakeholder engagement	Stakeholder Engagement Report – Pages 54 to 57
Environmental, Social and Governance, Health and Safety and Streamlined Energy and Carbon Reporting ('SECR') report	ESG Report – Pages 24 to 36
Climate-Related Financial Disclosures ('CFD')	CFD Report – Pages 37 to 47
Key Performance Indicators	Key Performance Indicators – Pages 22 to 23
Company's capital structure	Consolidated Statement of Changes in Equity – Page 110 Financial Statements – Note 27 on Page 135
Long Term Incentive Plan and share schemes	Remuneration Report – Pages 85 to 95
Events after the balance sheet date	Financial Statements – Note 33 on Page 139
Significant subsidiary undertakings	Financial Statements – Note 3 on Page 144 to 145
Non-Financial Reporting Statement	Page 53

## Dividends

The Group made a profit before tax for the year to 31 December 2023 of £21.2 million (2022: £25.9 million). The Directors are recommending a final dividend of 1.66p per share (2022: 1.51p per share). The final dividend will, subject to shareholders' approval, be paid on 21 June 2024 to shareholders on the register at the close of business on 31 May 2024. This would make a total dividend of 2.36p for the full year (2022: 2.15p). The Board will continue to review the Group's dividend policy.

## Events after the Reporting Date

Since the date of the balance sheet, on 1 March 2024 the Group acquired certain assets of Syntacoll GmbH for €1 million and on 13th March agreed to acquire Peters Surgical SAS for a total maximum cash consideration of €141.4 million.

## 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 77 and in the Notes Forming Part of the Financial Statements on Page 112.

## Capital Structure

As at 31 December 2023 the Group had net cash of £60.2 million (2022: £82.3 million). To fund the acquisition of Peters Surgical, which is expected to complete in mid 2024, new debt facilities have been arranged which comprise:

- (i) a £60 million amortising term loan facility; and
- (ii) a £30 million revolving credit facility.

Both the term loan and the revolving credit facility mature in March 2027 and thereafter can be extended by two consecutive twelve-month periods. Interest on drawn funds will be charged at the SONIA interest rate plus an initial bank margin of 1.75%, with this margin expected to reduce in 2025 in line with forecasted leverage reductions. The Directors expect the initial proforma net debt to EBITDA ratio of the enlarged Group to be approximately 1.5x and to reduce materially thereafter.

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 135.

### 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 2024.

### Share Capital and Issue of Ordinary Shares

At 28 March 2024 the Group's issued share capital is:

	Number	£'000	% of issued Share Capital
Ordinary Shares of 5p each	217,328,785	10,866	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 28 March 2024, in accordance with the Disclosure and Transparency Rules:

	28 March 2024	% of issued Share Capital
Octopus Investments Limited	28,129,599	12.94
Rathbone plc	20,533,361	9.45
Canaccord Genuity Group Inc	17,251,382	7.94
Charles Stanley Group	10,529,674	4.84
Invesco	8,780,600	4.04
AXA SA	6,548,776	3.01

### 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. 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 12 June 2024.

The Board has procedures for Directors' conflicts of interest. Only Directors who have no interest in the matter under consideration participate in the decision. The Board report annually on the 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. In the event of existing employees becoming disabled, every effort is made to ensure that their employment with the Group continues, and that appropriate training is arranged.

It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of an able-bodied person. 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 24 to 36.

### 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 are important:

- 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 employee policies are discussed in the ESG Report. See Pages 26 to 33 for disclosure of employee engagement and stakeholder engagement statements. We provide some basic information on page 71. We provide monthly updates to employees through a SMT communication session, which includes details of financial and economic factors, and is uploaded to the Intranet, where a Portal is also available to ask questions to the SMT. We have an Employee Consultative Group across all sites in the UK, and a number of other sites outside of the UK, which allow employees to share their views and any concerns. We run a number of share schemes, as outlined on Pages 89 to 90, including a Share Incentive Plan, which is open to all employees and we encourage investment by offering both lump sum and monthly contributions.

### 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 12 June 2024. Further details are outlined in the AGM Notice.

### Directors' Responsibilities Statement

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

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

## Director's 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 of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a Going Concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

### Responsibility Statement

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced; and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

### Provision of Information to the Independent Auditors

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

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

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

### Independent Auditors

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

The Directors' Report and Responsibility Statement has been approved by the Board and authorised for issue and is signed on its behalf by:

**Owen Bromley**  
Company Secretary

1 May 2024

## 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 2023 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 33; 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> Increased level of risk</li> <li> Similar level of risk</li> <li> Decreased level of risk</li> </ul>
<b>Materiality</b>	The materiality that we used for the group financial statements was £1m which was determined on the basis of 5% of pre-tax profit.
<b>Scoping</b>	We focused our group audit scope on Advanced Medical Solutions Limited (UK) and Resorba Medical GmbH (Germany) subject to a full scope audit, and other traders within the group were subject to specified procedures. As a consequence of the audit scope determined, we achieved coverage of approximately 81% of revenue, 94% of profit before tax and 97% of net assets.
<b>Significant changes in our approach</b>	No significant changes in our approach as compared to prior year with the exception of the current year acquisition accounting key audit matter which relates to the acquisition of Connexicon Medical Limited rather than AFS Medical GmbH which occurred in the prior year.

## 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 of 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;
- assessing the impact of the expected macroeconomic information to assess whether there were indicators of management bias;
- assessing the impact of the proposed acquisition on the group forecasts and cash flows;
- assessing 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 £126.2 million (2022: £124.3 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 the timing of recognition of revenue recorded within November, December 2023 and January 2024. We have also considered other one-off material revenue transactions based on our understanding of monthly peaks in sales reported and the associated credit terms with those, and other major, customers.</p> <p>The associated disclosure is included within Note 4 to the Financial Statements. For specific detail on the group's accounting policy, see Note 3 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 the timing of revenue recognised 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 assessed reasonableness of material journal amounts</li> <li>• we evaluated revenue transactions outside non standard shipping revenue streams;</li> <li>• we investigated and analysed any credit notes post year end which may contradict recognition of revenue; and</li> <li>• we analysed the receivables ledgers at year end and post year end to identify and consider if any material overdue debts were deemed irrecoverable.</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 Connexicon Medical Limited. Accounting for acquisitions under IFRS 3 Business Combinations is complex as management is 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 growth rate, discount rate and cash flow forecasts, hence management engaged a third party expert to support. The acquisition resulted in £8.5m of separately identifiable intangible assets and £11.0m of goodwill.</p> <p>The associated disclosure is included within Note 32 to the Financial Statements. For specific detail on the group's accounting policy, see Note 3 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 read 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 evaluate the consideration paid.</p> <p>With the involvement of our valuation specialists, we evaluated the valuation techniques and the reasonableness of assumptions applied. 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 reviewed the key assumptions in the cash flow forecasts, including assessing the potential impact of market developments and strategic plans allowing us to consider sensitivities and whether they reflect a reasonable possible change.</p> <p>We evaluated the competence, capabilities and objectivity of the third party expert engaged.</p> <p>We evaluated whether the policies and disclosures for acquisition accounting within the Financial Statements are consistent with the principles of IFRS 3 Business Combinations and whether they 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

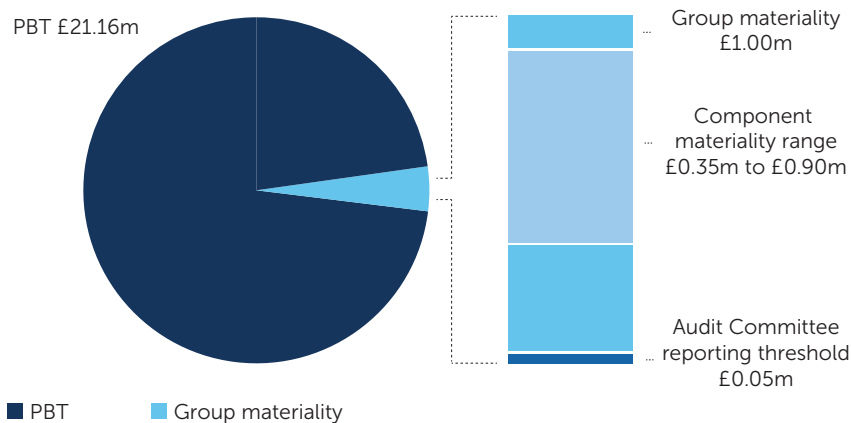
### 6.1. Materiality

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>	£1.0m (2022: £1.3m)	£0.9m (2022: £0.8m)
<b>Basis for determining materiality</b>	5% of pre-tax profit (2022: 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 materiality (2022: 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 key driver of the equity share price.	As a non-trading parent company, net assets is the key driver of the company.





## 6.2. Performance materiality

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

	Group financial statements	Parent company financial statements
<b>Performance materiality</b>	70% (2022: 70%) of group materiality	70% (2022: 70%) 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 £0.05m (2022: £0.07m), 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, other traders within the group were subject to specified audit procedures. As a consequence of the audit scope determined, we achieved coverage of approximately 81% (2022: 84%) of revenue, 94% (2022: 91%) of profit before tax and 97% (2022: 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 £0.35 million to £0.9 million (2022: £0.5 million to £0.9 million).

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 full scope audit or specified audit procedures.

### 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, see Page 84.

# 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, see Page 38. 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 virtually attended planning and close meetings, reviewed audit file remotely and reviewed their reporting documentation.

## 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 specialists 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 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 that 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

1 May 2024

## Consolidated Income Statement

For the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
<b>Revenue</b>	4	<b>126,210</b>	124,330
Cost of sales		<b>(56,070)</b>	(50,914)
<b>Gross profit</b>		<b>70,140</b>	73,416
Distribution costs		<b>(1,520)</b>	(1,626)
Administration costs		<b>(50,669)</b>	(47,378)
Other income		<b>931</b>	478
<b>Operating profit</b>	4, 5	<b>18,882</b>	24,890
Finance income	11	<b>3,786</b>	1,691
Finance costs	12	<b>(1,511)</b>	(671)
<b>Profit before taxation</b>		<b>21,157</b>	25,910
Income tax	13	<b>(5,268)</b>	(5,504)
<b>Profit for the year attributable to equity holders of the parent</b>		<b>15,889</b>	20,406
<b>Earnings per share</b>			
Basic	15	<b>7.36p</b>	9.42p
Diluted	15	<b>7.25p</b>	9.30p

The above results relate to continuing operations.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Profit for the year		<b>15,889</b>	20,406
<i>Items that will potentially be reclassified subsequently to profit and loss:</i>			
Exchange differences on translation of foreign operations	28	<b>(3,126)</b>	6,940
Gain/(loss) arising on cash flow hedges	24	<b>3,984</b>	(1,297)
Deferred tax charge arising on cash flow hedges	18	<b>(465)</b>	(201)
Other comprehensive income for the year		<b>393</b>	5,442
Total comprehensive income for the year attributable to equity holders of the parent		<b>16,282</b>	25,848

# Consolidated Statement of Financial Position

At 31 December 2023

	Note	2023 £'000	2022 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	16	55,864	48,373
Goodwill	19	80,435	70,859
Property, plant and equipment	17	29,601	29,015
Deferred tax asset	18	356	–
Trade and other receivables	21	593	937
		<b>166,849</b>	149,184
<b>Current assets</b>			
Inventories	20	36,046	27,911
Trade and other receivables	21	25,728	21,553
Current tax assets		388	184
Cash and cash equivalents	22	60,160	82,262
		<b>122,322</b>	131,910
<b>Total assets</b>		<b>289,171</b>	281,094
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	23	19,254	20,671
Current tax liabilities		1,165	948
Lease liability	23	1,164	1,059
		<b>21,583</b>	22,678
<b>Non-current liabilities</b>			
Trade and other payables	23	4,400	3,510
Deferred tax liabilities	18	11,013	9,593
Lease liability	23	7,973	8,691
		<b>23,386</b>	21,794
<b>Total liabilities</b>		<b>44,969</b>	44,472
<b>Net assets</b>		<b>244,202</b>	236,622
<b>Equity</b>			
Share capital	27	10,865	10,843
Share premium		37,473	37,269
Share-based payments reserve		18,649	15,711
Investment in own shares	28	(6,877)	(167)
Share-based payments deferred tax reserve		150	531
Other reserve	28	1,531	1,531
Hedging reserve	28	2,000	(1,519)
Translation reserve	28	1,878	5,004
Retained earnings		178,533	167,419
<b>Equity attributable to equity holders of the parent</b>		<b>244,202</b>	236,622

The financial statements of Advanced Medical Solutions Group plc (registration number 2867684) on pages 107 to 139 were approved by the Board of Directors and authorised for issue on 1 May 2024 and were signed on its behalf by:

**E Johnson**  
Chief Financial 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 2022</b>	10,804	36,996	13,180	(164)	933	1,531	(21)	(1,936)	151,354	212,677
Consolidated profit for the year to 1 January 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
Own shares purchased	-	-	-	(392)	-	-	-	-	-	(392)
Own shares sold	-	-	-	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 profit for the year to 31 December 2023	-	-	-	-	-	-	-	-	15,889	15,889
Other comprehensive income/(expense)	-	-	-	-	-	-	3,519	(3,126)	-	393
Total comprehensive income/(expense)	-	-	-	-	-	-	3,519	(3,126)	15,889	16,282
Share-based payments (Note 29)	-	-	2,916	-	(381)	-	-	-	-	2,535
Share options exercised (Note 29)	22	204	22	-	-	-	-	-	-	248
Own shares purchased	-	-	-	(6,710)	-	-	-	-	-	(6,710)
Dividends paid (Note 14)	-	-	-	-	-	-	-	-	(4,775)	(4,775)
<b>At 31 December 2023</b>	<b>10,865</b>	<b>37,473</b>	<b>18,649</b>	<b>(6,877)</b>	<b>150</b>	<b>1,531</b>	<b>2,000</b>	<b>1,878</b>	<b>178,533</b>	<b>244,202</b>



# Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
<b>Cash flows from operating activities</b>			
Operating profit		18,882	24,890
<i>Adjustments for:</i>			
Depreciation	17	4,375	4,049
Amortisation - acquired intangibles	16	4,887	3,414
- software intangibles	16	522	502
- development costs	16	1,004	879
Increase in inventories		(8,064)	(7,087)
Increase in trade and other receivables		(2,515)	(596)
(Decrease)/Increase in trade and other payables		(5,249)	1,711
Share-based payments expense	29	2,916	2,439
Taxation paid		(4,413)	(3,324)
<b>Net cash inflow from operating activities</b>		<b>12,345</b>	<b>26,877</b>
<b>Cash flows from investing activities</b>			
Purchase of software		(89)	(73)
Capitalised research and development		(6,216)	(6,152)
Purchases of property, plant and equipment		(3,544)	(3,739)
Disposal of property, plant and equipment		42	46
Interest received		2,470	820
Acquisition of subsidiaries (net of cash acquired)	32	(5,529)	(2,781)
Payment of contingent consideration	32	(7,399)	-
<b>Net cash used in investing activities</b>		<b>(20,265)</b>	<b>(11,879)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	14	(4,775)	(4,341)
Repayment of principal under lease liabilities		(1,472)	(1,295)
Repayment of borrowings	32	(480)	(331)
Issue of equity shares		181	266
Own shares purchased		(6,710)	(392)
Own shares sold		-	389
Interest paid		(362)	(617)
<b>Net cash used in financing activities</b>		<b>(13,618)</b>	<b>(6,321)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(21,538)</b>	<b>8,677</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>82,262</b>	<b>72,965</b>
<b>Effect of foreign exchange rate changes</b>		<b>(564)</b>	<b>620</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>60,160</b>	<b>82,262</b>

# Notes Forming Part of the Consolidated Financial Statements

## 1 Reporting entity

Advanced Medical Solutions Group plc ('the Company') is a public limited Company, limited by shares, 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 and widely held. There is no single ultimate controlling party. The Consolidated Financial Statements of the Company for the twelve months ended 31 December 2023 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. AMS 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®, LIQUIFIX™ and Seal-G®. AMS also supplies wound care dressings such as silver alginates, alginates and foams through its ActivHeal® brand as well as under white label. Since 2019, the Group has made five acquisitions: Sealantis, an Israeli developer of innovative internal sealants; Biomatlante, a French developer and manufacturer of surgical biomaterials, Raleigh, a leading UK coater and converter of woundcare and bio-diagnostics materials, AFS Medical, an Austrian specialist surgical business and Connexicon, an Irish tissue adhesives specialist.

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 AMS'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, Ireland, Germany, France and Israel. Established in 1991, the Group has more than 800 employees.

## 2 Basis of preparation

The Group's financial statements have been prepared in accordance with the United Kingdom adopted international accounting standards and with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB').

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:

- Amendments to IFRS 17 Insurance Contracts including the Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)
- Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)
- Deferred Tax related to Assets and Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2)

### Going Concern

With regards to the Group's financial position, it had cash and cash equivalents at the 31 December 2023 of £60.2 million and continues to be profitable with positive operational cash flow.

The proposed acquisition of the entire issued share capital of Peters Surgical will be funded by a new debt facility which includes a £60 million term loan facility and £30 million revolving credit facility, together (the "New Debt Facility") with the balance of the consideration to be funded by the Group's cash.

Both the term loan and the revolving credit facility mature in March 2027 and thereafter can be extended by two consecutive twelve months periods. Interest on drawn funds will be charged at the SONIA interest rate plus an initial bank margin of 1.75%, with this margin expected to reduce in 2025 in line with forecasted leverage reductions.

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 including a review of cash flow forecasts should the Peters Surgical acquisition not proceed. 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. The Directors also considered whether any factors exist that might reasonably impact the Group's ability to continue as going concern beyond the period of 12 months from the date of signing the financial statements, with no factors considered reasonably possible.

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. The proposed acquisition of Peters Surgical will further expand AMS's product portfolio, add additional direct sales capability in key territories, improve manufacturing efficiency and further expand the Group's specialist development and commercialisation function.

## 2 Basis of preparation *continued*

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 financial statements.

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

#### *Carrying value of development and recertification costs*

The Group capitalises development and recertification costs once it can be demonstrated that the product or process is clearly identifiable, technically and commercially feasible and will generate future economic benefits. There is judgement involved in determining the point at which capitalisation commences and that the product or process is at a point where it is technically and commercially feasible and that future economic benefits will be generated. 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 Connexicon in the year, the Group has identified assets and liabilities arising on acquisitions and determined fair values for them (see Note 32). 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.

#### *Impairment of Goodwill and Intangible assets*

In carrying out impairment reviews of goodwill and intangible assets, a number of significant assumptions have to be made when preparing cash flow projections which include market growth rates, size and share, discount rates and CGU profitability. If actual results should differ or changes in expectations arise, impairment charges may be required. Management has identified that for the goodwill related to the Woundcare CGU a reasonably possible change in cash flow forecasts could cause the carrying amount to exceed the recoverable amount.

See note 19 for further information on impairment of goodwill.

### 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.

# Notes Forming Part of the Consolidated Financial Statements

continued

## 3 Accounting policies continued

### Revenue recognition

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

Occasionally, the products are sold with volume discounts based on aggregate sales over a 12 month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts.

Accumulated experience and customer-provided forecasts 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 2023, £4.2 million (2022: £6.6 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 sufficiently 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. Exceptional items have been presented separately on the face of the Income Statement.

The Directors consider that this presentation gives a fairer presentation of the results of the Group. No exceptional costs were incurred during the year (2022: £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.

### 3 Accounting policies continued

#### Hedging

The Group designates certain hedging instruments, which include derivatives in respect of foreign currency risk, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions in order to confirm the principle of an 'economic relationship' exists. Note 24 sets out details of the fair values of the derivative instruments used for hedging purposes.

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

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

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

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

#### Taxation

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

#### Current tax

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

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

#### Deferred tax

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

Deferred tax is charged or credited to the Income Statement, except when it relates to items charged or credited directly to equity, in which case it is dealt with within equity.

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

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

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

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

# Notes Forming Part of the Consolidated Financial Statements

continued

## 3 Accounting policies continued

### Taxation continued

#### Deferred tax continued

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 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. Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis.

### 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

### 3 Accounting policies *continued*

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.

#### 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.

# Notes Forming Part of the Consolidated Financial Statements

continued

## 3 Accounting policies continued

### Recognition and valuation of financial assets

#### Cash and cash equivalents

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

#### 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.

#### Contingent consideration

Contingent consideration arising from a business combination is recognised at fair value on acquisition. Contingent consideration classified as a liability is a financial instrument and within the scope of IFRS 9 – Financial Instruments and is subsequently measured at fair value, with the changes in fair value recognised in the Consolidated Income Statement.

#### 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



### 3 Accounting policies continued

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 2023, the Group had net funds with no borrowings (2022: net funds with no borrowings). Working capital is managed in order to generate maximum conversion of profits into cash and cash equivalents thereby maintaining capital. As the Group had net funds with no external borrowings a reconciliation of net debt is not provided.

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

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

#### Employee Benefit Trusts

The Group operates two Employee Benefit Trusts ('EBT').

The 'Advanced Medical Solutions Group plc UK Employee Benefit Trust' was created in 2006 to establish a trust for the employee share ownership plan.

The Group has de facto control of the assets, liabilities and shares of 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 are recorded at cost and as a reduction in equity. Gains and losses on Group shares are recognised directly in reserves.

The Group established a second EBT (The Advanced Medical Solutions Group PLC Employee Benefit Trust) in July 2023 to enable shares to be bought in the market to satisfy the demand from share awards under the Group's employee share plans. The EBT is a separately administered trust and is funded by loans from Group companies. The assets of the trust comprise shares in the Group and cash balances. The Group recognises the assets and liabilities of the trust in the Consolidated Financial Statements and shares held by the trust are recorded at cost as treasury shares as a deduction from shareholders' equity. Consideration received for the sale of shares held by the trust is recognised in equity, with any difference between the proceeds from the sale and the original cost being taken to retained earnings.

#### 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 2023 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.

# Notes Forming Part of the Consolidated Financial Statements

continued

## 4 Segment information

During the year ended 31 December 2023, the Group continued to operate under two business units. Internal reporting provided to the Group's Chief Operating Decision Maker ('CODM') is prepared on this basis. The Group's Board of Directors ('the Board') is the Group's Chief Operating Decision Maker, as defined by IFRS 8, and all significant operating decisions are taken by the Board. 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 2023	Surgical £'000	Woundcare £'000	Consolidated £'000
<b>Revenue</b>	<b>79,093</b>	<b>47,117</b>	<b>126,210</b>
<b>Result</b>			
Adjusted segment operating profit	19,985	5,317	25,302
Amortisation of acquired intangibles	(3,944)	(943)	(4,887)
Segment operating profit	16,041	4,374	20,415
Unallocated expenses			(1,533)
Operating profit			18,882
Finance income			3,786
Finance costs			(1,511)
Profit before tax			21,157
Tax			(5,268)
Profit for the year			15,889

Year ended 31 December 2023	Surgical £'000	Woundcare £'000	Consolidated £'000
<b>Other information</b>			
Capital additions:			
Software intangibles	47	42	89
Research & development	5,222	994	6,216
Property, plant and equipment	2,337	1,207	3,544
Depreciation and amortisation	(7,504)	(3,284)	(10,788)

At 31 December 2023

### Statement of Financial Position

#### Assets

Segment assets	207,647	81,524	289,171
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#### Liabilities

Segment liabilities	34,810	10,159	44,969
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Year ended 31 December 2022	Surgical £'000	Woundcare £'000	Consolidated £'000
Revenue	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

#### 4 Segment information continued

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>			
Statement of Financial Position			
Assets			
Segment assets	190,456	90,638	281,094
Liabilities			
Segment liabilities	29,786	14,686	44,472

#### Geographical segments

The Group operates in the UK, Germany, the Netherlands, France, the Czech Republic, Ireland and Israel with a sales office in Russia, as a distributor in Austria and with 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	2023 £'000	2022 £'000
United Kingdom	17,385	15,321
Germany	26,365	23,025
Rest of Europe	38,933	32,333
United States of America	31,875	43,387
Rest of World	11,652	10,264
	<b>126,210</b>	124,330

Several international distributors with material sales have changed their shipping location during the year. To ensure a like for like comparison, the prior year sales by geographical market has been represented to categorise these specific customers as if they had always been based in the amended shipping location.

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

As at 31 December	2023 £'000	2022 £'000
United Kingdom	140,039	151,817
Germany	80,942	78,877
France	11,761	11,934
Rest of Europe	37,782	16,670
United States of America	1,256	451
Israel	19,231	21,345
	<b>291,011</b>	281,094

# Notes Forming Part of the Consolidated Financial Statements

continued

## 5 Profit from operations

Year ended 31 December	2023 £'000	2022 £'000
Profit from operations is arrived at after charging:		
Depreciation of property, plant and equipment	4,375	4,049
Amortisation of:		
• acquired intellectual property rights and other intangible assets	4,887	3,414
• software intangibles	522	502
• development costs	1,004	879
Research and development costs expensed excluding regulatory costs	5,597	4,323
Cost of inventories recognised as expense	55,733	50,663
Write-down of inventories expensed	337	251
Staff costs	49,024	46,065
Net foreign exchange loss	1,955	1,683

## 6 Exceptional items

During 2023, no costs have been incurred which are deemed to be exceptional in nature (2022: £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	2023 £'000	2022 £'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	301	276
<b>Total audit fees</b>	<b>324</b>	<b>299</b>
Audit related assurance services	35	34
<b>Total non-audit fees</b>	<b>35</b>	<b>34</b>
	<b>359</b>	<b>333</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	2023 Number	2022 Number
Production	440	401
Research and development	92	78
Sales and marketing	155	146
Administration	158	144
	<b>845</b>	<b>769</b>

Year ended 31 December	2023 £'000	2022 £'000
Staff costs for all employees, including Executive Directors, consists of:		
Wages and salaries including bonuses	38,777	37,131
Social Security costs	5,716	4,998
Pension costs	1,615	1,497
Share-based payments (see Note 29)	2,916	2,439
	<b>49,024</b>	<b>46,065</b>

## 9 Directors' emoluments

Year ended 31 December	2023 £'000	2022 £'000
Remuneration for management services	883	1,217
Pension costs	63	56
Share-based payments	636	687
	<b>1,582</b>	1,960

The Group's highest paid Director is disclosed in the Remuneration Report on page 91.

Year ended 31 December	2023	2022
Retirement benefits are accruing to the following number of Directors under money purchase schemes	2	2

## 10 Remuneration of Key Management Personnel

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

Year ended 31 December	2023 £'000	2022 £'000
Salaries, fees and short-term employee benefits	1,983	2,427
Pension costs	126	112
Share-based payments	1,002	1,101
	<b>3,111</b>	3,640

## 11 Finance income

Year ended 31 December	2023 £'000	2022 £'000
Movement in Long-term acquisition liability credit	1,313	872
Bank interest	2,473	819
	<b>3,786</b>	1,691

## 12 Finance costs

Year ended 31 December	2023 £'000	2022 £'000
Amortisation of facility fees	–	272
Finance lease interest	364	327
Other interest	20	39
Movement in Long-term acquisition liability expense	1,127	33
	<b>1,511</b>	671

The movement in long-term acquisition liabilities expense and credit relate to movements in the long-term liabilities arising on the acquisition of Sealantis in 2019, AFS in 2022 and Connexicon in 2023. Changes in the liabilities occur as the liabilities unwind and as the probability of a performance condition being met changes based on actual and estimated performance subsequent to acquisition. See Note 24 for further information on how these liabilities are calculated.

# Notes Forming Part of the Consolidated Financial Statements

continued

## 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	2023 £'000	2022 £'000
Current tax:		
Tax on ordinary activities – current year	5,516	5,655
Tax on ordinary activities – prior year	(540)	6
	4,976	5,661
Deferred tax:		
Tax on ordinary activities – current year	(183)	(84)
Tax on ordinary activities – prior year	475	(73)
Effect of increase in UK corporation tax rate	–	–
	292	(157)
Tax charge for the year	5,268	5,504

### 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 (2022: lower) than the weighted average Group tax rate of 28.0% (2022: 22.8%) as explained below:

Year ended 31 December	2023 £'000	2022 £'000
Profit before taxation	21,157	25,910
Weighted average Group tax rate 28.0% (2022: 22.8%)	5,918	5,911
Effects of:		
Expenses not deductible for tax purposes and other timing differences	605	243
Utilisation and recognition of trading losses	(526)	(269)
Patent Box Relief	(817)	(554)
Net impact of deferred tax on capitalised development costs and R&D relief	(245)	32
Share-based payments	398	208
Adjustments in respect of prior year – current tax	(540)	6
Adjustments in respect of prior year and rate changes – deferred tax	475	(73)
Taxation	5,268	5,504

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: (2022: £0.4 million surplus).

## 14 Dividends

Amounts recognised as distributions to equity holders in the period:

Year ended 31 December	2023 £'000	2022 £'000
Final dividend for the year ended 31 December 2022 of 1.51p (2021: 1.37p) per Ordinary Share	3,265	2,960
Interim dividend for the year ended 31 December 2023 of 0.70p (2022: 0.64p) per Ordinary Share	1,510	1,381
	4,775	4,341
Proposed final dividend for the year ended 31 December 2023 of 1.66p (2022: 1.51p) per Ordinary Share	3,608	3,275

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	2023 000 Number of shares	2022 000 Number of shares
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	217,093	216,512
Basic weighted average number of Shares held by EBT	(1,195)	–
Effect of dilutive potential Ordinary Shares: share options, deferred share bonus and LTIPs	3,391	2,969
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	219,289	219,481

	£'000	£'000
Profit for the year attributable to equity holders of the parent	15,889	20,406
Amortisation of acquired intangible assets	4,887	3,414
Movement in long-term acquisition liabilities	(186)	(840)
Adjusted profit for the year attributable to equity holders of the parent pre exceptional costs	20,590	22,980

Earnings per share	Pence	Pence
Basic	7.36	9.42
Diluted	7.25	9.30
Adjusted basic	9.54	10.61
Adjusted diluted	9.39	10.47

# Notes Forming Part of the Consolidated Financial Statements

continued

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

	Acquired Intangible assets		Software intangibles £'000	Development and recertification costs £'000	Total £'000
	Customer related £'000	Product related £'000			
<b>2023</b>					
<b>Cost</b>					
At beginning of year	22,699	22,917	5,875	21,854	73,345
On acquisition	587	7,951	–	–	8,538
Additions	–	–	89	6,216	6,305
Disposals	–	–	(35)	–	(35)
Exchange differences	(308)	(1,013)	(31)	(63)	(1,415)
At end of year	22,978	29,855	5,898	28,007	86,738
<b>Amortisation</b>					
At beginning of year	3,823	10,968	4,186	5,995	24,972
Charged in the year	1,476	3,411	522	1,004	6,413
Disposals	–	–	(34)	–	(34)
Exchange differences	(42)	(437)	(18)	20	(477)
At end of year	5,257	13,942	4,656	7,019	30,874
<b>Net book value</b>					
<b>At 31 December 2023</b>	<b>17,721</b>	<b>15,913</b>	<b>1,242</b>	<b>20,988</b>	<b>55,864</b>
At 31 December 2022	18,876	11,949	1,689	15,859	48,373

In the current year, acquired intangible assets have been re-categorised as either customer related intangible assets or product related intangible assets. The prior year comparative has been restated to ensure comparability. Customer related intangible assets consist of customer lists, brands and other marketing-related intangible assets. Product related intangible assets primarily consist of patents and technology based know-how.

Customer and product related intangible assets arising on acquisition in 2023 relate to technology-based and customer-related assets arising on the acquisition of Connexicon (see note 32).

The acquisition of AFS in 2022 resulted in the addition of customer and marketing-related intangible assets.

Intangible assets are amortised on a straight-line basis and the amortisation is recognised within administration costs with the exception of the RESORBA® brand name. The RESORBA® brand name has a carrying value of £9.0 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 four years remaining.



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

	Acquired Intangible assets			Development and	Total £'000
	Customer related £'000	Product related £'000	Software intangibles £'000	recertification costs £'000	
<b>2022</b>					
<b>Cost</b>					
At beginning of year	18,018	21,018	5,740	15,514	60,290
On acquisition	3,948	–	–	–	3,948
Additions	–	–	73	6,152	6,225
Disposals / impairment	–	–	(8)	–	(8)
Exchange differences	733	1,899	70	188	2,890
At end of year	22,699	22,917	5,875	21,854	73,345
<b>Amortisation</b>					
At beginning of year	2,577	8,085	3,633	5,037	19,332
Charged in the year	1,211	2,203	502	879	4,795
Disposals / impairment	–	–	(8)	–	(8)
Exchange differences	35	680	59	79	853
At end of year	3,823	10,968	4,186	5,995	24,972
<b>Net book value</b>					
<b>At 31 December 2022</b>	18,876	11,949	1,689	15,859	48,373
At 31 December 2021	15,441	12,933	2,107	10,477	40,958

## 17 Property, plant and equipment

	Freehold land, property and improvements £'000	Right-of-use assets £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<b>2023</b>						
<b>Cost</b>						
At beginning of year	7,542	15,101	36,054	1,160	419	60,276
On acquisition	–	15	785	–	–	800
Additions	61	914	3,092	391	–	4,458
Disposals	–	(513)	(284)	(37)	(35)	(869)
Exchange adjustment	(87)	(108)	(175)	(10)	(12)	(392)
At end of year	7,516	15,409	39,472	1,504	372	64,273
<b>Depreciation</b>						
At beginning of year	1,688	5,796	22,692	881	204	31,261
Provided for the year	187	1,548	2,335	275	30	4,375
Disposals	–	(513)	(235)	(37)	(35)	(820)
Exchange adjustment	(18)	(49)	(74)	(7)	4	(144)
At end of year	1,857	6,782	24,718	1,112	203	34,672
<b>Net book value</b>						
<b>At 31 December 2023</b>	5,659	8,627	14,754	392	169	29,601
At 31 December 2022	5,854	9,305	13,362	279	215	29,015

Freehold land which has a carrying value of £1.2 million is not depreciated (2022: £1.3 million).

At 31 December 2023, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £0.4 million (2022: £0.4 million).

# Notes Forming Part of the Consolidated Financial Statements

continued

## 17 Property, plant and equipment continued

	Freehold land, property and improvements £'000	Right-of-use assets £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
2022						
Cost						
At beginning of year	5,997	14,489	33,701	1,027	434	55,648
On acquisition	–	225	17	–	–	242
Additions	1,332	1,212	2,270	119	18	4,951
Disposals	(5)	(955)	(316)	(9)	(51)	(1,336)
Exchange adjustment	218	130	382	23	18	771
At end of year	7,542	15,101	36,054	1,160	419	60,276
Depreciation						
At beginning of year	1,401	5,291	20,518	784	213	28,207
Provided for the year	188	1,412	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	1,688	5,796	22,692	881	204	31,261
Net book value						
At 31 December 2022	5,854	9,305	13,362	279	215	29,015
At 31 December 2021	4,596	9,198	13,183	243	221	27,441

## 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 2022	2,162	(1,041)	(6,668)	(1,891)	–	(7,438)
(Charge)/credit to income	(267)	192	638	(726)	6	(157)
Charge to equity	(402)	–	–	–	(201)	(603)
Exchange adjustment	–	–	(409)	–	–	(409)
Acquisition of subsidiary	–	–	(986)	–	–	(986)
At 31 December 2022	1,493	(849)	(7,425)	(2,617)	(195)	(9,593)
Credit/(charge) to income	<b>109</b>	<b>(333)</b>	<b>830</b>	<b>(672)</b>	<b>358</b>	<b>292</b>
Charge to equity	<b>(381)</b>	–	–	–	<b>(465)</b>	<b>(846)</b>
Exchange adjustment	–	–	<b>162</b>	–	–	<b>162</b>
Acquisition of subsidiary	–	–	<b>(672)</b>	–	–	<b>(672)</b>
<b>At 31 December 2023</b>	<b>1,221</b>	<b>(1,182)</b>	<b>(7,105)</b>	<b>(3,289)</b>	<b>(302)</b>	<b>(10,657)</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:

	2023 £'000	2022 £'000
Deferred tax liabilities	<b>(11,013)</b>	(9,593)
Deferred tax assets	<b>356</b>	–
	<b>(10,657)</b>	(9,593)

At the Statement of Financial Position date, the Group has approximately £25 million of unused tax losses (2022: £18 million), relating to tax losses in Israel, France, Austria and Ireland 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

	2023 £'000	2022 £'000
<b>Cost</b>		
At 1 January	70,859	66,032
Acquisitions	11,040	1,452
Exchange differences	(1,464)	3,375
At 31 December	80,435	70,859

The Group has two cash generating units ('CGU') whereby goodwill has been allocated (2022: two) and reports CGUs on the same basis as the Group's reportable segments (See note 4).

Following the acquisition of Connexicon in the year they have been deemed to be sufficiently integrated into the Surgical CGU. See note 32 for details of assets arising on acquisition.

Goodwill in the Surgical CGU also arose on the acquisition of RESORBA® in 2011, the acquisition of Sealantis Limited in 2019, the acquisition of Biomatlante SA in 2019 and the acquisition of AFS Medical GmbH in 2022.

Goodwill in the Woundcare CGU arose on the acquisition of Advanced Medical Solutions B.V. in 2009 and on the acquisition of Raleigh Adhesive Coatings Limited in 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:

	Discount rate	Long-term growth rate	Goodwill £'000	Intangible assets with indefinite useful life £'000	Carrying value £'000
<b>At 31 December 2023</b>					
Surgical CGU	12.8%	2.0%	64,347	9,019	73,366
Woundcare CGU	11.8%	2.0%	16,088	–	16,088
Consolidated			80,435	9,019	89,454
	Discount rate	Long-term growth rate	Goodwill £'000	Intangible assets with indefinite useful life £'000	Carrying value £'000
<b>At 31 December 2022</b>					
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

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 based on a combination of past experience and market growth data, 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 inflation rate. A discount rate of 12.8% per annum for the Surgical CGU and 11.8% for the Woundcare CGU (2022: 12.6%), 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 the Surgical CGU 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.

For the goodwill related to the Woundcare CGU, a reasonably possible change in discount rate alone would not cause impairment. A reasonably possible change in revenue forecasts could cause the carrying amount to exceed the recoverable amount. Whilst the value in use calculation at 31 December 2023 has headroom of £6.7 million, a 10% decline in revenue alone would cause an impairment of £1.2 million, a 8% reduction in revenue would eliminate headroom. A 1% long-term growth rate would reduce headroom to £1.1 million whilst the combined impact of a 10% decline in revenue, reduction in long-term growth rate to 1% and increase in discount rate to 12.3% would result in an impairment of £8.4 million.

# Notes Forming Part of the Consolidated Financial Statements

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## 20 Inventories

At 31 December	2023 £'000	2022 £'000
Raw materials	13,243	11,544
Work in progress	7,796	6,772
Finished goods	15,007	9,595
	<b>36,046</b>	27,911

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 Enil (2022: Enil) carried at net realisable value.

At 31 December	2023 £'000	2022 £'000
Total gross inventories	39,303	30,704
Inventory provision	(3,257)	(2,793)
Net inventory	<b>36,046</b>	27,911

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	2023 £'000	2022 £'000
<b>Current assets</b>		
Trade receivables	20,908	17,709
Other receivables	1,383	2,501
Derivative financial instruments	2,145	–
Prepayments and accrued income	1,292	1,343
	<b>25,728</b>	21,553
<b>Non-current assets</b>		
Derivative financial instruments	520	865
Prepayments and accrued income	73	72
	<b>593</b>	937
	2023 £'000	2022 £'000
Amount receivable for the sale of goods	21,268	17,984
Loss allowance	(360)	(275)
Net trade receivables	<b>20,908</b>	17,709

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.

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.

## 21 Trade and other receivables *continued*

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

	2023 £'000	2022 £'000
31 to 60 days overdue	913	1,367
61 to 90 days overdue	85	202
> 90 days overdue	476	166
<b>Total</b>	<b>1,474</b>	<b>1,735</b>

### Movement in loss allowance for trade receivables

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Balance at the beginning of the year	275	225
Impairment losses recognised	333	218
Amounts written off as uncollectible	(82)	(55)
Amounts recovered during the year	(166)	(113)
<b>Balance at the end of the year</b>	<b>360</b>	<b>275</b>

### Analysis of customers

In the year ended 31 December 2023, no customer accounted for more than 10% of the Group's revenue (2022: no customer with more than 10% revenue).

## 22 Cash and cash equivalents

	2023 £'000	2022 £'000
Cash held at banks	60,160	82,262

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

	2023 £'000	2022 £'000
<b>Current liabilities</b>		
Trade payables	6,227	6,416
Other payables	9,109	5,359
Derivative financial instruments	–	2,183
Lease liabilities	1,164	1,059
Accruals and deferred income	3,918	6,713
	<b>20,418</b>	<b>21,730</b>
<b>Non-current liabilities</b>		
Other payables	4,400	3,510
Lease liabilities	7,973	8,691
	<b>12,373</b>	<b>12,201</b>

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

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

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

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

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

# Notes Forming Part of the Consolidated Financial Statements

continued

## 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	
	2023 £'000	2022 £'000
<b>Financial assets</b>		
Trade and other receivables	22,291	20,210
Cash and cash equivalents	60,160	82,262
Derivative instruments in designated hedge accounting relationships	2,665	865
<b>Financial liabilities</b>		
Derivative instruments in designated hedge accounting relationships	–	2,183
Financial liabilities measured at amortised cost	23,654	21,998
Lease liabilities	9,137	9,750

Financial liabilities measured at amortised cost include contingent consideration which arose on a number of acquisitions.

Contingent consideration arising on the acquisition of Sealantis in 2019 relate to contingent consideration as well as amounts due to the Israeli Innovation Authority ('IIA'). They are 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.

Amounts due to the IIA are linked to grants received prior to acquisition and are payable based on a percentage of the net present value of future sales projections with a 9.4% discount rate applied 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. At 31 December 2023 the estimated fair value of contingent consideration arising on the acquisition of Sealantis is £1.2 million (2022: £2.5 million).

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 milestones were met in 2022 and subsequently paid in 2023 and also met for 2023 with payment to be made in 2024. At 31 December 2023 the estimated fair value of contingent consideration arising on the acquisition of AFS is £0.8 million (2022: £1.3 million).

Contingent consideration arose on the acquisition of Connexicon in respect of up to €18 million which is payable subject to delivery of certain research & development, regulatory and commercial milestones between 2023 and 2027. During the period subsequent to acquisition several milestones were met resulting in payment of €8.0 million of contingent consideration. £7.6 million is the estimated fair value at 31 December 2023 (2022: £nil). See note 32 for further information on Connexicon acquisition accounting.

The Risk Management section on pages 61 to 65 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 2023</b>					
Trade and other payables	19,254	1,497	1,620	1,283	23,654
Lease liabilities	1,164	1,326	3,088	3,559	9,137
Financial derivatives	–	–	–	–	–
<b>At 31 December 2023</b>	<b>20,418</b>	<b>2,823</b>	<b>4,708</b>	<b>4,842</b>	<b>32,791</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 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>

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 £5.9 million (2022: £6.5 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 £1.7 million (2022: £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

	2023 £'000	2022 £'000
<b>Currency</b>		
Sterling	54,269	71,506
US Dollar	771	4,891
Euro	4,988	5,771
Israeli Shekel	132	94
<b>At 31 December 2023</b>	<b>60,160</b>	<b>82,262</b>

#### 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 are in the following currencies:

	2023 £'000	2022 £'000
Sterling	12,525	5,983
US Dollar	7,194	7,776
Euro	6,563	6,405
Israeli Shekel	39	46
	<b>26,321</b>	<b>20,210</b>

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

# Notes Forming Part of the Consolidated Financial Statements

continued

## 24 Financial instruments continued

### (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 which is believed to be a reasonable approximation of possible changes, would have impacted 2023 Sterling revenues by approximately 2.6% and 3.6% respectively and in the absence of any hedging this would have had an impact on profit margin percentage of 1.9% and 0.4%.

#### 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	
	2023 USD:£1	2022 USD:£1	2023 USD '000	2022 USD '000	2023 £'000	2022 £'000
<b>Cash flow hedges</b>						
Sell US dollars						
Less than 3 months	<b>1.26</b>	1.28	<b>7,500</b>	11,500	<b>51</b>	(540)
3 to 6 months	<b>1.15</b>	1.31	<b>7,500</b>	9,000	<b>617</b>	(550)
6 to 12 months	<b>1.15</b>	1.30	<b>18,500</b>	18,500	<b>1,468</b>	(1,040)
Over 12 months	<b>1.24</b>	1.15	<b>22,500</b>	22,500	<b>520</b>	890
			<b>56,000</b>	61,500	<b>2,656</b>	(1,240)

	Average contract rate		Foreign currency		Fair value	
	2023 EUR:£1	2022 EUR:£1	2023 EUR '000	2022 EUR '000	2023 £'000	2022 £'000
Sell Euros						
Less than 3 months	<b>1.14</b>	1.14	<b>600</b>	600	<b>5</b>	(9)
3 to 6 months	<b>1.13</b>	1.15	<b>600</b>	600	<b>4</b>	(15)
6 to 12 months	–	1.15	–	1,200	–	(29)
Over 12 months	–	1.14	–	1,200	–	(26)
			<b>1,200</b>	3,600	<b>9</b>	(79)

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 (2022: £nil) in respect of FVTPL contracts. The gain of £4.0 million (2022: £1.3 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:

Currency	Average rate		Closing rate		Percentage change	
	2023	2022	2023	2022	Average %	Closing %
US Dollar	<b>1.24</b>	1.24	<b>1.27</b>	1.21	<b>(0)</b>	5
Euro	<b>1.15</b>	1.18	<b>1.15</b>	1.13	<b>(3)</b>	2



## 27 Share capital

	Allotted, called up and fully paid '000
<b>Number of Ordinary Shares of 5p each</b>	
At 1 January 2022	216,071
Share capital allotted for share schemes	807
At 31 December 2022	216,878
Share capital allotted for share schemes	451
<b>At 31 December 2023</b>	<b>217,329</b>

At the Statement of Financial Position date, 3.5 million (2022: 0.4 million) 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 2022	10,804
Share capital allotted for share schemes	39
At 31 December 2022	10,843
Share capital allotted for share schemes	22
<b>At 31 December 2023</b>	<b>10,865</b>

## 28 Reserves

### Investment in own shares

The shares held in trust on behalf of employees in respect of the Share Incentive Plan by The Advanced Medical Solutions Group PLC Employee Benefit Trust are held at nominal value.

The shares held in trust on behalf of employees in respect of the Long Term Incentive Plan by The Advanced Medical Solutions Group PLC Employee Benefit Trust were shares purchased in the open market and held at the weighted average cost of the shares.

The Advanced Medical Solutions Group PLC Employee Benefit Trust was established in July 2023. During the year, 3.2 million shares (2022: nil) were purchased by the Trust at an average price of £2.12 (2022: £nil) and remain held at 31 December 2023.

### 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 £3.1 million loss has been recorded in the translation reserve during the period, which would otherwise have been recognised in Administration costs (2022: £6.9 million gain) if hedge accounting had not been adopted.

## 29 Share-based payments

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

	2023 £'000	2022 £'000
Unapproved Executive Share Option Scheme and Company Share Option Scheme	564	441
Long-Term Incentive Plan	1,161	1,218
Share Incentive Plan and Deferred Annual Bonus Scheme	1,191	780
	<b>2,916</b>	2,439

# Notes Forming Part of the Consolidated Financial Statements

continued

## 29 Share-based payments *continued*

### Unapproved Executive Share Option Scheme and Company Share Option Plan ('CSOP')

The following table reconciles the number of share options outstanding:

	2023 Number of Options	2022 Number of Options
Outstanding at beginning of the year	4,692,677	3,785,085
Issued	3,650,616	1,461,100
Exercised	(151,476)	(129,692)
Lapsed	(663,682)	(423,816)
Outstanding at end of the year	7,528,135	4,692,677
Exercisable at end of the year	1,979,510	1,449,398

The weighted average remaining contractual life of the options outstanding at 31 December 2023 is 7.9 years (2022: 7.1 years).

The weighted average exercise price of options exercised in the year was £2.34 (2022: £2.78).

The weighted average exercise price of options remaining is £2.38 (2022: £2.68) with a range of exercise prices from £1.17 to £3.29. The weighted average exercise price of options exercisable is £2.67 (2022: £2.59).

The fair value of the executive options is calculated based on a Black-Scholes Merton model. The following table gives the assumptions applied to the options granted in the respective period:

	November 2023	May 2023	May 2022
Share price at grant date	182.2p	239.5p	304.0p
Exercise price	182.2p	239.5p	304.0p
Expected life	3 yrs	3 yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs
Risk free rate	3.66%	3.66%	1.64%
Expected volatility	33.5%	33.5%	36%
Expected dividend yield	0.9%	0.9%	0.7%
Fair value of options	38p	50p	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.

### Long Term Incentive Plan ('LTIP')

The following table reconciles the number of share options outstanding:

	2023 Number of Options	2022 Number of Options
Outstanding at beginning of the year	2,152,706	2,207,572
Issued	1,117,968	720,853
Exercised	(63,419)	(421,792)
Lapsed	(367,369)	(353,927)
Outstanding at end of the year	2,839,886	2,152,706
Exercisable at end of the year	537,770	277,100

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

The weighted average exercise price of the Long-Term incentive Plan in the year was £2.24 (2022: £2.75).

The weighted average remaining contractual life of the LTIPs outstanding at 31 December 2023 is 7.7 years (2022: 7.7 years).

## 29 Share-based payments *continued*

The fair value of the LTIP options is calculated using the monte carlo method. The following table gives the assumptions applied to the options granted in the respective period:

	2023	2022
Share price at grant date	<b>239.5p</b>	280.5p
Exercise price	<b>0p</b>	0p
Expected life	<b>3 yrs</b>	3 yrs
Contractual life	<b>10 yrs</b>	10 yrs
Risk free rate	<b>3.66%</b>	1.64%
Expected volatility	<b>33%</b>	36%
Expected dividend yield	<b>0.90%</b>	0.70%
Fair value of option	<b>211p</b>	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 LTIP is subject to achieving the performance conditions referred to on page 90. The numbers shown are maximum entitlements and the actual number of shares issued (if any) will depend on these performance conditions being achieved.

### Share Incentive Plan ('SIP')

The following table reconciles the number of share options outstanding:

	2023 Number of Options	2022 Number of Options
Outstanding at beginning of the year	<b>1,910,151</b>	1,561,171
Issued	<b>987,828</b>	545,635
Exercised	<b>(203,798)</b>	(161,961)
Lapsed	<b>(32,482)</b>	(34,694)
Outstanding at end of the year	<b>2,661,699</b>	1,910,151
Exercisable at end of the year	<b>814,287</b>	599,842

The exercise price of the matching shares is £nil.

The fair value of the SIP shares are calculated based on a Black-Scholes Merton model. The following table gives the assumptions applied to the options granted in the respective period:

	October 2023	May 2023	November 2022	May 2022
Share price at grant date	<b>182.0p</b>	<b>251.1p</b>	270.5p	270.5p
Exercise price	<b>0p</b>	<b>0p</b>	0p	0p
Expected life	<b>5 yrs</b>	<b>5 yrs</b>	5 yrs	5 yrs
Risk-free rate	<b>3.66%</b>	<b>3.66%</b>	1.64%	1.64%
Expected volatility	<b>33%</b>	<b>33%</b>	36%	36%
Expected dividend yield	<b>0.9%</b>	<b>0.9%</b>	0.7%	0.7%
Fair value of option	<b>156p</b>	<b>218p</b>	251p	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. 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 89.

# Notes Forming Part of the Consolidated Financial Statements

continued

## 29 Share-based payments continued

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

The following tables reconcile the number of share options outstanding

	2023 Number of Options	2022 Number of Options
Outstanding at beginning of the year	57,221	84,433
Issued	72,198	18,268
Exercised	(2,275)	(45,480)
Lapsed	–	–
Outstanding at end of the year	127,144	57,221
Exercisable at end of the year	37,349	38,953

The weighted average exercise price of the Deferred Annual Bonus Plan options in the year was £2.51 (2022: £2.75).

The weighted average remaining contractual life of the DAB options outstanding at 31 December 2023 is 7.6 years (2022: 6.0 years).

The fair value of the DAB options are calculated based on a Black-Scholes Merton model. The following table gives the assumptions applied to the options granted in the respective periods shown.

	2023	2022
Share price at grant date	239.5p	303.9p
Exercise price	0p	0p
Expected life	3 yrs	3 yrs
Contractual life	10 yrs	10 yrs
Risk-free rate	3.66%	1.64%
Expected volatility	33%	36%
Expected dividend yield	0.9%	0.7%
Fair value of option	208p	252p

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

The DAB scheme began on 21 May 2014. Participants compulsorily defer part of their bonus for the relevant financial year and they vest at the end of a three-year period from the time of grant.

## 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.

The remuneration of the Directors, is set out in the Remuneration Committee Report on pages 85 to 95. The remuneration of all key management personnel, which includes Directors, is disclosed in note 10 to the consolidated financial statements.

## 31 Audit Exemption

The Company is entitled to exemption from audit for its subsidiaries under Section 479A of the Companies Act 2006 for the period ended 31 December 2023.

The Directors have applied this exemption for the following subsidiaries:

Company Name	Company number
Raleigh Adhesive Coatings Limited	02300965
Advanced Medical Solutions (Europe) Limited	08819564

Advanced Medical Solutions Group PLC will guarantee all outstanding liabilities that these subsidiaries are subject to as at the period ended 31 December 2023 in accordance with Section 479C of the Act, as amended by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012.

### 32 Acquisition

On 1 February 2023, the Group acquired 99% of the Share Capital of Connexicon Medical Limited ("Connexicon"), a tissue adhesive technology specialist based in Dublin, Republic of Ireland for an initial up-front payment of € 7 million, with options in place to acquire the remaining 1% of Share Capital. The remaining 1% of Share Capital not acquired by AMS have no-voting rights and the options are linked to future contingent considerations up to a potential €18 million, dependent on the delivery of certain research & development, regulatory and commercial milestones between 2023 and 2027. The acquisition further strengthens AMS's position in the global tissue adhesive market, expands its product portfolio and significantly enhances its technical and R&D capabilities in cyanoacrylate technology.

In the eleven-month period from acquisition to 31 December 2023, Connexicon contributed £1.4 million of revenue to the Group and £0.4 million of operating profit. In addition, amortisation of intangible assets of £1.3 million and £1.1 million of finance expense relating to the unwind of contingent consideration have been recorded within the Group as a result of the acquisition. A number of the commercial milestones set out in the Option Agreements were fulfilled, and therefore exercised, resulting in contingent consideration payments of €8 million (£7.0 million) in the period. The results, assets and liabilities of Connexicon have been included in the Surgical business unit segment.

	£'000
<b>Identifiable net assets acquired</b>	
Customer related Intangible asset	587
Technology-based Intangible asset	7,951
Property, plant and equipment	800
Trade and other receivables	754
Inventory	466
Cash and cash equivalents	846
Trade and other payables	(1,204)
Lease liabilities	(8)
Borrowings	(487)
Deferred tax on intangible asset	(674)
Total net assets acquired	9,031
Goodwill arising on acquisition	11,040
	20,071
<b>Satisfied by</b>	<b>£'000</b>
Cash consideration	6,375
Contingent consideration (Fair value)	13,696
	20,071
<b>Net cash flow on acquisition</b>	<b>£'000</b>
Cash consideration	6,375
Cash acquired	(846)
	5,529

Contingent consideration arose on the acquisition in respect of up to €18 million which is payable subject to delivery of certain research & development, regulatory and commercial milestones between 2023 and 2027. £13.7 million was the estimated fair value of the contingent consideration at the acquisition date and £7.6 million is the fair value at 31 December 2023.

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

In addition to the contingent consideration payment in relation to Connexicon, €0.5 million (£0.4 million) was paid in the year relating to AFS.

### 33 Events after reporting period

With the exception of the proposed acquisition of Peters Surgical for a maximum consideration of €141.4 million as discussed on page 7 and the acquisition of certain assets of Syntacoll GmbH for €1 million as discussed on page 19, there have been no material events subsequent to 31 December 2023.

# Company Statement of Financial Position

At 31 December 2023

	Note	2023 £'000	2022 £'000
<b>Non current assets</b>			
Investments in subsidiaries	3	58,017	58,017
Trade and other receivables	4	34,271	36,617
		<b>92,288</b>	94,634
<b>Current assets</b>			
Trade and other receivables	4	546	237
Cash and cash equivalents		52,446	64,801
		<b>52,992</b>	65,038
<b>Current liabilities</b>			
Trade and other payables	5	(2,661)	(12,637)
Current tax liabilities		(741)	–
		<b>(3,402)</b>	(12,637)
<b>Net current assets</b>		<b>49,590</b>	52,401
<b>Net assets</b>		<b>141,878</b>	147,035
<b>Equity shareholders' funds</b>			
Share capital	6	10,865	10,843
Share premium		37,473	37,269
Share-based payments reserve		18,649	15,711
Investment in own shares		(6,877)	(167)
Retained earnings		81,768	83,379
<b>Equity attributable to equity holders of the parent</b>		<b>141,878</b>	147,035

The Company reported a net gain for the year ended 31 December 2023 of £3.2 million (2022: gain of £3.9 million).

The Financial Statements of Advanced Medical Solutions Group plc (registration number 2867684) on pages 140 to 146 were approved by the Board of Directors and authorised for issue on 1 May 2024 and were signed on its behalf by:

**E Johnson**  
Chief Financial Officer

## Company Statement of Changes in Equity

For the year ended 31 December 2023

	Share capital £'000	Share-based payments £'000	Investment in own shares £'000	Share premium £'000	Retained earnings £'000	Total £'001
<b>At 1 January 2022</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
Own shares purchased	–	–	(392)	–	–	(392)
Own shares sold	–	–	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
Share-based payments	–	<b>2,916</b>	–	–	–	<b>2,916</b>
Share options exercised	<b>22</b>	<b>22</b>	–	<b>204</b>	–	<b>248</b>
Own shares purchased	–	–	<b>(6,710)</b>	–	–	<b>(6,710)</b>
Total comprehensive income	–	–	–	–	<b>3,164</b>	<b>3,164</b>
Dividends paid	–	–	–	–	<b>(4,775)</b>	<b>(4,775)</b>
<b>At 31 December 2023</b>	<b>10,865</b>	<b>18,649</b>	<b>(6,877)</b>	<b>37,473</b>	<b>81,768</b>	<b>141,878</b>

# Notes to the Company Financial Statements

Year ended 31 December 2023

## 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, revenue, 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.

### 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.



## 1. Significant accounting policies continued

### 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 gain for the year ended 31 December 2023 of £3.2 million (2022: gain of £3.9 million) which includes Other Comprehensive Income of £0.1 million (2022: £0.1 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 18 (2022: 17), all of whom were classified as Administration (2022: same). The Directors' remuneration is detailed in Note 9 to the Consolidated Financial Statements.

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Staff costs for all employees, including Executive Directors, consists of:		
Wages and salaries including bonuses	<b>2,538</b>	4,922
Social Security costs	<b>363</b>	330
Pension costs	<b>92</b>	90
Share-based payments (see Note 29 to the Consolidated Financial Statements)	<b>2,916</b>	2,439
	<b>5,909</b>	7,781

# Notes to the Company Financial Statements

continued

## 3. Investments in subsidiaries

	Investments in subsidiaries £'000
<b>Cost</b>	
At 1 January 2023	86,687
<b>At 31 December 2023</b>	<b>86,687</b>
<b>Provisions for impairment</b>	
At 1 January 2023	28,670
<b>At 31 December 2023</b>	<b>28,670</b>
<b>Net book value</b>	
<b>At 31 December 2023</b>	<b>58,017</b>
At 31 December 2022	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
Resorba s.r.o.	Czech Republic	100% <sup>#</sup>	Manufacture and sales office of medical products	Haltravska No. 9/578, 34401, Domazlice, Czech Republic
Resorba ooo	Russia	100% <sup>#</sup>	Distribution of medical products	Fadeeva Str. 5, 125047 Moscow, Russia

### 3. Investments in subsidiaries *continued*

Name	Country of operation	Proportion of voting rights and Ordinary Share capital held	Nature of business	Registered address
Advanced Medical Solutions 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
Connexicon Medical Limited	Ireland	100%*	Development and manufacture of medical products	Synergy Centre, TU Dublin, Tallaght, Dublin 24, D24 A386, Ireland
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.

# Notes to the Company Financial Statements

continued

## 4. Trade and other receivables

	2023 £'000	2022 £'000
<b>Non-current assets</b>		
Amounts due from Group undertakings	34,271	36,618
	2023 £'000	2022 £'000
<b>Current assets</b>		
Prepayments and accrued income	256	237
Amounts due from Group undertakings	290	–
	546	237
	2023 £'000	2022 £'000
<b>Amounts Owed by Group undertakings</b>		
At 1 January	38,957	37,997
Movement	(2,056)	961
At 31 December	36,901	38,958
<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	34,561	36,618

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 £30 million facility is available to Advanced Medical Solutions Limited until 31 December 2026 primarily to finance acquisitions. 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

	2023 £'000	2022 £'000
Amounts owed to Group undertakings	1,939	9,191
Accruals and deferred income	633	3,366
Derivative financial instruments	89	80
	2,661	12,637

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 135 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:

	2023 £'000	2022 £'000
Unapproved Executive Share Option Scheme and Company Share Option Scheme	564	441
Long-Term Incentive Plan	1,161	1,218
Share Incentive Plan and Deferred Annual Bonus Scheme	1,191	780
	2,916	2,439

Details on the share-based payments of the Company are provided in Note 29 on pages 135 to 138 in the Notes to the Group's accounts.

## Five Year Summary

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
<b>Consolidated Income Statement</b>					
Revenue	126.2	124.3	108.6	86.8	102.4
Profit from operations (Pre-exceptional)	18.9	24.9	23.0	11.6	25.3
Profit attributable to equity holders of the parent (Pre-exceptional)	15.9	20.4	17.5	9.4	20.0
Basic earnings per share (Pre-exceptional)	7.3p	9.4p	8.1p	4.4p	9.3p
<b>Consolidated Statement of Financial Position</b>					
<i>Net assets employed</i>					
Non-current assets	166.9	149.2	134.5	141.4	115.2
Current assets	122.3	131.9	115.0	97.2	111.8
Total liabilities	(45.0)	(44.5)	(36.8)	(36.4)	(35.7)
Net assets	244.2	236.6	212.7	202.2	191.3
<i>Shareholders' equity</i>					
Share capital & investment in own shares	4.0	10.7	10.6	10.6	10.6
Share-based payments reserve	18.6	15.7	13.2	11.1	9.5
Share-based payments deferred tax reserve	0.2	0.5	0.9	0.4	0.6
Share premium account	37.5	37.3	37.0	36.3	36.2
Other reserve	1.5	1.5	1.5	1.5	1.5
Hedging reserve	2.0	(1.5)	–	1.2	0.6
Translation reserve	1.9	5.0	(1.9)	3.3	(0.2)
Retained equity	178.5	167.4	151.4	137.7	132.5
Equity attributable to equity holders of the parent	244.2	236.6	212.7	202.2	191.3

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 by retranslating non-pounds sterling sales using foreign exchange rates from the previous financial year.
- Adjusted measures are believed by the Directors to provide the reader with additional information and an alternative year-on-year comparison to further understand 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 (2022: £nil), amortisation of acquired intangible assets which was £4.9 million (2022: £3.4 million) and a movement in long-term liabilities recognised on acquisition income of £0.2 million (2022: income of £0.8 million) as reconciled in the Financial Review (See page 59).
- Adjusted operating margin is shown before exceptional items and amortisation of acquired intangible assets as reconciled in the Financial Review (See page 59).
- 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.
- Net cash consists of cash and cash equivalents with nil debt (2022: £nil debt).

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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