



Advanced Medical Solutions Group plc

Resilience, innovation and growth

Interim Report 2023

About Advanced Medical Solutions Group plc

AMS 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® 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.

AMS'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. For more information, please see www.admedsol.com.

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Financial Highlights

Revenue
(£ million)

£63.1m

H1 22: **£58.3m**
Reported change: +8%
(+5% change at constant currency)¹

Adjusted² profit before
tax margin (%)

21.8%

H1 22: **23.4%**
Reported change: -1.6pp

Profit before tax (£ million)

£11.8m

H1 22: **£12.3m**
Reported change: -5%

Diluted earnings
per share (p)

4.06p

H1 22: **4.42p**
Reported change: -8%

Net cash³ (£ million)

£69.1m

H1 22: **£75.3m**
Reported change: -8%

Adjusted² profit before tax
(£ million)

£13.8m

H1 22: **£13.6m**
Reported change: +1%

Adjusted² diluted earnings
per share (p)

4.97p

H1 22: **5.01p**
Reported change: -1%

Profit before tax margin (%)

18.7%

H1 22: **21.2%**
Reported change: -2.5pp

Net operating cash flow
(£ million)

£4.1m

H1 22: **£12.5m**
Reported change: -67%

Interim dividend per share (p)

0.70p

H1 22: **0.64p**
Reported change: +10%

Business Highlights (including post period end):

The Group made significant progress in a number of key projects during the period which are expected to establish substantial, new commercial opportunities in the short to medium-term. As previously highlighted, the results were impacted by the temporary de-stocking impact of the US LiquiBand® strategic growth initiative but included strong growth in other parts of the business.

Financial

- Revenue increased by 8% to £63.1 million (2022 H1: £58.3 million) driven by growth in non-US markets, which averaged 20% against the first half of last year.
- Gross margins reduced to 56.5% (2022 H1: 58.9%) due to temporary adverse product mix.
- Total investment in R&D increased to £6.0 million (2022 H1: £5.4 million), representing 9.5% (2022 H1: 9.3%) of revenue, as progress was made on key projects including new product development and Medical Device Regulation (“MDR”).
- The Group reports a 1% increase in adjusted profit before tax to £13.8 million (2022 H1: £13.6 million) with adjusted profit before tax margin of 21.8% (2022 H1: 23.4%).
- Net cash decreased to £69.1 million from a 2022 year-end position of £82.3 million (2022 H1: £75.3 million) following the acquisition of Connexicon Medical Ltd (“Connexicon”) in February.
- Surgical Business Unit revenues increased to £39.4 million (2022 H1: £35.9 million), an increase of 5% at constant currency.
- Woundcare Business Unit revenues increased to £23.7 million (2022 H1: £22.4 million), an increase of 4% at constant currency.
- Given the Group’s strong net cash position and reflecting the Board’s continued confidence in the future, the proposed interim dividend is increased to 0.70p per share (2022 H1: 0.64p).

Operational

- Good progress towards establishing new US LiquiBand® distribution agreements with hospital partners and executing new route-to-market strategy. As previously reported, associated destocking was greater than expected but end-user sales were unaffected and the Board remains confident that this initiative will achieve its objective of creating the foundation for accelerated growth for LiquiBand® in the US.
- Acquisition of Connexicon completed, adding to the Group’s ability to develop and commercialise innovative adhesive and sealant technologies and to offer the increased differentiation and exclusivity sought by our US partners. Integration is going well, financial performance is in line with initial expectations and its pipeline approvals are progressing well.
- Recruitment of the Seal-G® and Seal-G® MIST human clinical trials completed in July 2023 with data to be made available for a European soft launch in H2 2023. Initial data shows significant reduction in leakage rates in cases using Seal-G®.

Post Period End

- Announced 18 September, the Group has signed a US LiquiBandFIX8® commercialisation agreement with TELA Bio Inc (“TELA Bio”) ahead of a September launch under the brand name LIQUIFIX™, entering a new \$200 million addressable market with a unique, differentiated product.
- The Group can confirm very good progress has been made with all the new US LiquiBand® distribution agreements and is highly confident that the new route-to-market strategy will be fully operational and driving accelerated growth by the end of 2023.

Commenting on the interim results, Chris Meredith, Chief Executive Officer of AMS, said:



“I’m pleased to report first half growth at Group level driven by our diverse portfolio of products, despite the short-term disruption to US LiquiBand® sales and the changes to the Organogenesis royalty stream. This demonstrates the increasing strength of our existing portfolio which will play a big part in generating and sustaining stronger growth in the future. I am particularly excited at the breadth of opportunities now open to us as a number of new initiatives and product launches, such as LIQUIFIX™ in the US and Seal-G® in Europe, come into effect this year. With so many potential growth drivers in place, I remain confident that we will see accelerated growth from 2024.”

Chris Meredith

Chief Executive Officer

1 Constant currency adjusts for the effect of currency movements by re-translating the current period’s performance at the previous period’s exchange rates.

2 Adjusted profit before tax is shown before amortisation of acquired intangible assets which, in 2023 H1, were £2.4 million (2022 H1: £1.6 million) and a £0.4 million credit for movement in long-term acquisition liabilities (2022 H1: credit of £0.3 million) as defined in the Financial Review. Adjusted operating margin is shown before amortisation of acquired intangible assets.

3 Net cash consists of cash and cash equivalents with nil debt (2022 H1 and YE: £nil debt).

Chief Executive's 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®, LiquiBandFIX8® and LIQUIFIX™. Revenue increased by 10% on a reported basis and 5% on a constant currency basis in the Period to £39.4 million (2022 H1: £35.9 million).

Surgical Business Unit	2023 H1 £ million	2022 H1 £ million	Reported Growth	Growth at constant currency
Advanced Closure	17.0	17.9	-5%	-8%
Internal Fixation and Sealants	2.2	1.6	31%	27%
Traditional Closure	9.4	8.0	18%	12%
Biosurgical Devices	8.3	7.7	7%	3%
Other Distributed Products	2.5	0.7	267%	252%
TOTAL	39.4	35.9	10%	5%

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 H1 £ million	2022 H1 £ million	Reported Growth	Growth at constant currency
Americas	9.2	12.0	-23%	-27%
UK/Germany	4.0	3.4	16%	15%
ROW	3.8	2.5	53%	52%
TOTAL	17.0	17.9	-5%	-8%

LiquiBand® revenues reduced by 5% to £17.0 million (2022 H1: £17.9 million) due to the previously announced disrupted ordering patterns and de-stocking during the Period that has occurred during the transition to our new, previously reported, strategic initiative to accelerate US LiquiBand® growth. However, this was offset by strong growth in non-US markets.

As part of its enhanced partner strategy in the US, the Group continues to have positive discussions with its partners and has made good progress with new agreements aimed at delivering stronger growth from early 2024 onwards. This process has taken longer and associated de-stocking has been greater than initially anticipated, as indicated in the 4 September trading update. Expectations for FY 2024 remain unchanged.

The Group confirms that since the end of the Period, very good progress has been made with all US LiquiBand® distribution agreements and that it is highly confident that the new route-to-market strategy will be fully operational and driving accelerated growth by the end of 2023.

The de-stocking has not affected LiquiBand® end sales demand and the pipeline of evaluations and conversions for LiquiBand® XL continues to grow strongly. As such the Board's expectations for LiquiBand® growth remain high, both short and long-term, and LiquiBand® sales forecasts for 2024 and future years remain unchanged.

The acquisition of Connexion was completed in February and integration of the business is progressing well with its existing portfolio continuing to grow in European and ROW territories. It is also being positioned to obtain approval in China, which would be AMS' first tissue adhesive approval in this very large market. In addition, the development and approval of its new US portfolio, to support the enhanced partner strategy, is progressing well with 510(k) approvals on track for H2 2024.

Internal Fixation and Sealants

LiquiBandFIX8® is used to fix hernia meshes placed inside the body with accurately delivered individual drops of cyanoacrylate adhesive, instead of traditional tacks and staples. Revenues increased by 31% on a reported basis to £2.2 million (2022 H1: £1.6 million) and 27% on a constant currency basis due to good commercial progress, increasing volumes of hernia surgery and the annualised impact of the acquisition of AFS Medical ("AFS").

Following the PMA approval for LiquiBandFIX8® in June 2023, and the earlier completion of a 284-patient US clinical study, AMS announced on 18 September an agreement for TELA Bio to market and distribute LiquiBandFIX8® across the United States under the brand name LIQUIFIX™. The signing of this agreement successfully concludes a comprehensive selection process involving a number of potential partners with a broad range of strengths and marketing strategies. During this process, it became clear that TELA Bio brings the right combination of strengths and attributes, with a vision and ambition that is closely aligned with and complements AMS' strategy and aspirations. TELA Bio is a specialist medical technology company that designs, develops and markets innovative tissue reinforcement materials to address unmet needs in soft tissue reconstruction. It has an established and fast-growing footprint in the US market with products that focus on addressing the shortcomings of existing reinforcement materials in hernia repair, abdominal wall reconstruction and plastic reconstructive surgery.

TELA Bio's specialist representative sales force are now undergoing training ahead of launch in September 2023 at the American Hernia Society Annual Meeting. As the first product of its kind in the US, its less invasive application is expected to reduce pain and other post-operative complications and to provide tangible benefits to patients and payors. This represents a significant commercial opportunity for AMS as it enters a new addressable market estimated at \$200 million.

Seal-G® MIST (laparoscopic surgery) and Seal-G® (open surgery) are novel, internal, biological sealants used to seal tissue during gastrointestinal surgery to reduce leakage of fluid. Enrolment for the first Seal-G® clinical study, comprising 160 patients, was successfully completed in July 2023 and a small number of end-user commercial orders have been received for devices ahead of the European soft launch in Q4 2023 that will utilise data from the study. An initial analysis of the data indicates a significant reduction in the number of serious clinical leaks that required re-operation. Although not a randomised controlled trial, the Seal-G® study reported serious leakages of only 1.25% which is significantly lower than the 4.2%–4.7% leakage rate reported in DICA (Diverticular Inflammation and Complication) data and in published studies.

Planning and study design for follow-on clinical trials is progressing well as AMS assesses the optimum pathway to build evidence for both colon and other surgical procedures whilst giving consideration to our medium-term goal of Pre-Market Approval in the large and lucrative US market.

Traditional Closure

RESORBA® branded Absorbable and Non-Absorbable Suture ranges are used in general surgery and a wide range of surgical specialties including dental and ophthalmic surgery. Revenue increased by 18% to £9.4 million and by 12% at constant currency (2022 H1: £8.0 million) with a steady performance from its more established European markets. The Group's ongoing strategy to increase its penetration of other geographies also drove growth, such as in the US, where increasing dental suture sales made a significant contribution to Traditional Closure growth.

Biosurgical Devices

The Biosurgical Devices category comprises antibiotic-loaded collagen sponges, collagen membranes and cones, oxidised cellulose, synthetic bone substitutes and bio-absorbable screws. Revenue increased by 7% to £8.3 million (2022 H1: £7.7 million) and by 3% at constant currency.

End user demand for AMS' collagens remains strong but timing of orders and despatches resulted in uneven phasing with stronger revenues and growth anticipated in the second half of 2023. AMS remains confident in the growth potential of its innovative Biosurgical portfolio via its specialist partner network as it continues to expand its distribution network into new territories.

The Group's strategy to market Biomatlante's bone substitutes under the RESORBA® brand continues to progress well with growth in an increasing number of European countries in the Period and the initial pilot US launch via an independent rep model in the second half of 2023.

Other Distributed Products

The Other Distributed category comprises products distributed by AFS, including minimally invasive access ports and laparoscopic instruments, following its acquisition in April 2022. This category excludes sales of LiquiBandFIX8® which are recorded within the Internal Fixation and Sealants category. Predominantly driven by annualisation, revenue increased by 267% on a reported basis and 252% on a constant currency basis to £2.5 million (2022 H1 £0.7 million).

Plymouth facility expansion

The construction phase of the Plymouth facility expansion is now largely complete, significantly increasing the manufacturing capacity for Seal-G, Fix8® and LiquiBand® and providing additional R&D laboratory space.

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 and multi-layer woundcare products.

The Woundcare Business Unit delivered growth in the Period, due to higher ordering from OEM partners and increased sales of ActivHeal® overseas. Revenue increased by 6% in the Period to £23.7 million (2022 H1: £22.4 million) and by 4% on a constant currency basis.

Woundcare Business Unit	2023 H1 £ million	2022 H1 £ million	Reported Growth	Growth at constant currency
Infection Management	7.7	7.2	8%	5%
Exudate Management	12.2	11.1	10%	8%
Other Woundcare	3.8	4.1	-8%	-11%
TOTAL	23.7	22.4	6%	4%

Infection and Exudate Management

Infection Management revenue increased by 8% on a reported basis and by 5% on a constant currency basis to £7.7 million (2022 H1: £7.2 million) and Exudate Management revenue increased by 10% on a reported and 8% on a constant currency basis to £12.2 million (2022 H1: £11.1 million).

Key initiatives driving growth in the Period and expected to drive future growth include:

- Expanding the distribution network for our own ActivHeal® range of dressings as newly signed distributors and new market registrations make an impact. The Group expects ActivHeal® to continue to be a key contributor to Woundcare growth in future periods.
- Commercial success with Raleigh's pipeline of new products of special medical materials.

Chief Executive's Review continued

Other Woundcare

Other Woundcare comprises royalties, fees and woundcare sealants. Revenue reduced by 8% at reported currency and by 11% at constant currency to £3.8 million (2022 H1: £4.1 million) as a result of lower royalty income from the Group's licensing arrangement with Organogenesis.

As announced on 4 September, Organogenesis has recently indicated that changes to US reimbursement coverage have created uncertainty regarding the revenue outlook for some of its key products, including those utilising AMS patents. Given that Organogenesis withdrew its own guidance and that AMS has no control of, and minimal insight into its sales, AMS removed this royalty in its entirety from Q4 2023 guidance onwards.

Regulatory

AMS continues to make good progress in meeting the requirements for the new Medical Devices Regulation (MDR) and is well placed to obtain certifications for all its products well before the extended 2027/2028 deadlines.

Supply chain and inflation

AMS continues to take proactive steps to address the ongoing global supply chain challenges and has continued to increase inventory levels during the Period while setting up alternative suppliers where feasible. As a result, shortages of material have not had a significant impact on the Group's ability to supply products to its customers.

Inflationary pressures continue in some areas but the Group continues to strive to recover a significant proportion of this impact from its customers through price review negotiations.

Board changes

As part of the ongoing plan to refresh the Non-Executive Directors, given that Peter Allen has completed 10 years service, he will retire from the Board once a successor has been appointed. The Group is progressing with a thorough, external selection process for a new Chair that is now close to completion. A further announcement will be made in due course.

Environmental, Social & Governance

AMS continues to make positive progress on its ESG activities, building on the foundations reported in its FY22 Annual Report. Since that report, we have further developed our Net Zero Strategy and Pathway and have agreed key targets that will drive this activity, for example: to be Net Zero by 2045.

AMS has also strengthened its preparations for the Task Force on Climate-related Financial Disclosures (TCFD) and in conjunction with its ESG consultants will continue to progress this area in advance of its FY23 reporting in April 2024.

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.

Stakeholders

On behalf of the Board, I would like to thank the Group's committed staff, partners and other stakeholders, without whose help and commitment the achievements during the Period would not have been possible.

Summary and Outlook

In the first half of 2023, many parts of the business delivered strong growth to offset the temporary shortfall in ordering of LiquiBand® in the US and drive overall growth for the Group.

As announced in its 4 September trading statement, reduced royalty expectations, following recent US reimbursement changes, and higher than anticipated de-stocking by US partners have impacted FY23 and consequently AMS expects revenues of approximately £124–£127 million and adjusted pre-tax profit of approximately £25–£27 million for the year. With the exception of the royalty adjustment (impacting Q4 2023 to Q3 2026), there were no changes to the expectations for future years.

The Board anticipates accelerated LiquiBand® growth from 2024 with the new US partner strategy taking effect and other key initiatives, such as the imminent US launch of LIQUIFIX™ and the soft launch of Seal-G® in Europe, now in place and setting the foundation for strong growth and improving margins for the Group in 2024 and beyond.

Financial Review

IFRS reporting

To provide the clearest possible insight into our performance, the Group uses alternative performance measures. These measures are not defined in International Financial Reporting Standards (IFRS) and, therefore, are considered to be non-GAAP (Generally Accepted Accounting Principles) measures. Accordingly, the relevant IFRS measures are also presented where appropriate. AMS uses such measures consistently at the half-year and full-year and reconciles them as appropriate. The measures used in this statement include constant currency revenue growth, adjusted operating margin and profit, 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 8% at reported currency to £63.1million (2022 H1: £58.3 million) and increased by 5% at constant currency as summarised in the Chief Executive's Review.

Gross profit increased to £35.7 million (2022 H1: £34.4 million) but gross margin decreased to 56.5% (2022 H1: 58.9%) due to adverse product mix relating to the temporary impact of the US LiquiBand® strategic initiative and to reduced royalty income from Organogenesis.

Administration expenses increased to £25.0 million (2022 H1: £21.6 million) inclusive of adverse foreign exchange movements which adversely affected the Group by £1.9 million in the first half of the year when compared to the first half of 2022. The acquisition of AFS in April 2022 has had an annualising effect in the first half of 2023, adding £1.0 million of administration expenses and the acquisition of Connexicon added £0.2 million of operating administration costs, £0.6 million of amortisation of acquired intangible assets and £0.2 million of one-off professional fees relating to the acquisition. The Group also continued to invest in its sales and marketing teams as well as new product development and regulatory team to support the Group's continuing growth.

The Group incurred £6.0 million of gross R&D spend in the Period (2022 H1: £5.4 million), representing 9.5% of sales (2022 H1: 9.3% of sales). This reflects the Group's continued investment in innovation as demonstrated by the PMA approval of LiquiBandFIX8® in the Period as well as investment to meet increased regulatory standards. The acquisition of Connexicon has further added to the Group's R&D capabilities in the period, in particular the Group's ability to develop and launch innovative and sealant technologies. As shown in the table below, elements of this cost are capitalised and amortised over 5 to 10 years.

	2023 H1 £'000	2022 H1 £'000
Total investment in Research and Development, Regulatory and Clinical of which:		
Charged to the profit and loss account	5,972	5,403
Capitalised, to be amortised over 5–10 years	2,926	2,832
	3,046	2,571

Amortisation of acquired intangible assets increased to £2.4 million (2022 H1: £1.6 million) following the acquisition of Connexicon.

Adjusted operating profit, which excludes amortisation of acquired intangibles, decreased by 7% to £12.8 million (2022 H1: £13.8 million) whilst the adjusted operating margin decreased by 340 bps to 20.3% (2022 H1: 23.7%) due to the decrease in the gross margin in addition to the Group's continued investment in future growth opportunities.

Movement in long-term acquisition liabilities of Sealantis, AFS and Connexicon resulted in a net credit of £0.4 million (2022 H1: £0.3 million).

Despite adverse sales mix impacts, the Group delivered increased adjusted profit before tax of £13.8 million (2022 H1: £13.6 million). Reported profit before tax was £11.8 million (2022 H1: £12.3 million).

Reconciliation of profit before tax to adjusted profit before tax	2023 H1 £'000	2022 H1 £'000
Profit before tax	11,768	12,336
Amortisation of acquired intangibles	2,402	1,573
Movement in long-term acquisition liabilities	(404)	(283)
Adjusted profit before tax	13,766	13,626

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 24.1% (2022 H1: 21.6%) as a result of the increase in the UK Corporation tax rate to 25%, effective 1 April 2023 (2022: 19%).

The large UK corporation tax increase has had a significant adverse impact on earnings per share resulting in adjusted diluted earnings per share reducing by 1% to 4.97p (2022 H1: 5.01p), diluted earnings per share reducing by 8% to 4.06p (2022 H1: 4.42p), adjusted basic earnings per share reducing by 1% to 5.04p (2022 H1: 5.07p) and basic earnings per share reducing by 8% to 4.12p (2022 H1: 4.47p).

The Board intends to pay an interim dividend of 0.70p per share on 27 October 2023 to shareholders on the register at the close of business on 29 September 2023. This is a 10% increase on the interim dividend paid in respect of the first half of 2022 reflecting the Board's ongoing confidence in the future growth in the Group.

Financial Review continued

Operating result by business segment Six months ended 30 June 2023	Surgical £'000	Woundcare £'000
Revenue	39,411	23,677
Segment operating profit	8,164	2,860
Amortisation of acquired intangibles	1,931	471
Adjusted segment operating profit⁴	10,095	3,331
Adjusted operating margin⁴	25.6%	14.1%
Six months ended 30 June 2022		
Revenue	35,941	22,363
Segment operating profit	9,605	3,081
Amortisation of acquired intangibles	1,101	472
Adjusted segment operating profit ⁴	10,706	3,553
Adjusted operating margin ⁴	29.8%	15.9%

4 Adjusted for amortisation of acquired intangible assets.

Table is reconciled to statutory information in Note 5 of the financial information.

Surgical

Surgical revenues increased by 10% to £39.4 million (2022 H1: £35.9 million) at reported currency and increased by 5% to £38.3 million (2022 H1: £36.2 million) at constant currency. Adjusted operating margin decreased by 420 bps to 25.6% (2022 H1: 29.8%) due to temporarily adverse sales mix, the impact of inflation and increased investment in regulatory affairs, and research and development.

Woundcare

Woundcare revenues increased by 6% to £23.7 million (2022 H1: £22.4 million) at reported currency and increased by 4% to £23.1 million (2022 H1: £22.1 million) at constant currency. Adjusted operating margin decreased by 180 bps to 14.1% (2022 H1: 15.9%) predominately due to lower royalty income from Organogenesis.

Currency

The Group hedges significant currency transaction exposure by using forward contracts and aims to hedge approximately 80% of its estimated transactional exposure for the next 12 to 18 months. In the first half of the year, approximately one third of sales were invoiced in Euros and approximately one quarter were invoiced in US Dollars.

The Group estimates that a 10% movement in the £:US\$ or £:€ exchange rate will impact Sterling revenues by approximately 2.6% and 4.0% respectively and in the absence of any hedging this would have an impact on the Group operating margin of 2.0% and 0.7% percentage points respectively.

Cash Flow

Net cash inflow from operating activities decreased by 67% to £4.1 million (2022 H1: £12.5 million) due to increased working capital as explained below.

At the end of the Period, net cash had reduced to £69.1 million (31 December 2022: £82.3 million) due to working capital increases and acquisition related payments of €10m for the acquisition and initial earnout of Connexicon, and €0.5 million for the achievement of AFS' FY22 EBITDA milestone.

In the first half of 2023, receivables increased by £3.2 million (2022 H1: £0.9 million increase) due to increased sales volumes, the impact of favourable hedging contracts, and the addition of Connexicon. Debtor days reduced to 41 from the 44 days at year-end (2022 H1: 43 days) as a result of lower US sales, which are typically on longer payment terms. Creditor days were in line with December 2022 at 37 days (2022 H1: 35 days). Total payables were inflated by the addition of Connexicon and the associated contingent consideration and increased by £4.0 million (2022 H1: £5.5 million increase). Planned inventory increases to fulfil anticipated commercial demand and to continue to build resilience resulted in inventories growing by £3.9 million to 6.7 months of supply in comparison to 6.2 months at December 2022 (2022 H1: 5.5 months).

In the Period, £4.8 million was invested in capital equipment, R&D and regulatory costs (2022 H1: £4.3 million) including investment in additional freezer dryer capacity in Germany to improve production efficiency and an extension at Plymouth which is now substantially complete.

Tax payments increased to £1.4 million (2021 H1: £0.8 million) which is £1.5 million lower than tax in the income statement. Payments in the prior period were particularly low due to a refund of taxes received.

In June 2023, the Group paid its final dividend for the year ended 31 December 2022 of £3.3 million (2022 H1: £3.0 million).

The Group retains strong support from its two banks, NatWest and HSBC, and is confident in its ability to raise necessary funds to complete further acquisitions as and when opportunities arise.

Condensed Consolidated Income Statement

	Note	(Unaudited) Six months ended 30 June 2023 £'000	(Unaudited) Six months ended 30 June 2022 £'000	(Audited) Year ended 31 December 2022 £'000
Revenue	5	63,088	58,304	124,330
Cost of sales		(27,435)	(23,934)	(50,914)
Gross profit		35,653	34,370	73,416
Distribution costs		(713)	(781)	(1,626)
Administration costs		(25,007)	(21,579)	(47,378)
Other income		473	227	478
Operating profit		10,406	12,237	24,890
Finance income		2,229	436	1,691
Finance costs		(867)	(337)	(671)
Profit before taxation		11,768	12,336	25,910
Income tax	7	(2,836)	(2,668)	(5,504)
Profit for the period attributable to equity holders of the parent		8,932	9,668	20,406
Earnings per share				
Basic	4	4.12p	4.47p	9.42p
Diluted	4	4.06p	4.42p	9.30p
Adjusted diluted ⁵	4	4.97p	5.01p	10.47p

The above results relate to continuing operations.

Condensed Consolidated Statement of Comprehensive Income

	(Unaudited) Six months ended 30 June 2023 £'000	(Unaudited) Six months ended 30 June 2022 £'000	(Audited) Year ended 31 December 2022 £'000
Profit for the period	8,932	9,668	20,406
Exchange differences on translation of foreign operations	(3,674)	3,896	6,940
Gain/(Loss) arising on cash flow hedges	2,774	(3,704)	(1,297)
Deferred tax charge arising on cash flow hedges	(163)	–	(201)
Other comprehensive (Charge)/credit for the period	(1,063)	192	5,442
Total comprehensive income for the period attributable to equity holders of the parent	7,869	9,860	25,848

5 Adjusted for amortisation of acquired intangible assets and movement in long-term acquisition liabilities.

Condensed Consolidated Statement of Financial Position

	Note	(Unaudited) 30 June 2023 £'000	(Unaudited) 30 June 2022 £'000	(Audited) 31 December 2022 £'000
Assets				
Non-current assets				
Intangible assets		55,451	46,639	48,373
Goodwill		79,770	69,409	70,859
Property, plant and equipment		29,344	27,783	29,015
Trade and other receivables		1,260	79	937
		165,825	143,910	149,184
Current assets				
Inventories		31,812	22,732	27,911
Trade and other receivables		24,392	21,985	21,553
Current tax assets		403	177	184
Cash and cash equivalents		69,142	75,341	82,262
		125,749	120,235	131,910
Total assets		291,574	264,145	281,094
Liabilities				
Current liabilities				
Trade and other payables		21,097	18,422	20,671
Current tax liabilities		594	1,746	948
Lease liabilities		1,051	1,109	1,059
		22,742	21,277	22,678
Non-current liabilities				
Trade and other payables		7,034	5,724	3,510
Deferred tax liabilities		10,919	8,229	9,593
Lease liabilities		8,126	8,323	8,691
		26,079	22,276	21,794
Total liabilities		48,821	43,553	44,472
Net assets		242,753	220,592	236,622
Equity				
Share capital	11	10,858	10,836	10,843
Share premium		37,420	37,102	37,269
Share-based payments reserve		17,199	14,434	15,711
Investment in own shares		(167)	(167)	(167)
Share-based payments deferred tax reserve		413	569	531
Other reserve		1,531	1,531	1,531
Hedging reserve		1,092	(3,725)	(1,519)
Translation reserve		1,330	1,960	5,004
Retained earnings		173,077	158,052	167,419
Equity attributable to equity holders of the parent		242,753	220,592	236,622

Condensed Consolidated Statement of Changes In Equity

	Share capital £'000	Share premium £'000	Share-based payments £'000	Investment in own shares £'000	Share-based payments deferred tax £'000	Other reserve £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2023 (audited)	10,843	37,269	15,711	(167)	531	1,531	(1,519)	5,004	167,419	236,622
Consolidated profit for the period to 30 June 2023	-	-	-	-	-	-	-	-	8,932	8,932
Other comprehensive income/(expense)	-	-	-	-	-	-	2,611	(3,674)	-	(1,063)
Total comprehensive income/(expense)	-	-	-	-	-	-	2,611	(3,674)	8,932	7,869
Share-based payments	-	-	1,476	-	-	-	-	-	-	1,476
Share options exercised	15	151	12	-	(118)	-	-	-	-	60
Shares purchased by EBT	-	-	-	(687)	-	-	-	-	-	(687)
Shares sold by EBT	-	-	-	687	-	-	-	-	-	687
Dividends paid (Note 8)	-	-	-	-	-	-	-	-	(3,274)	(3,274)
At 30 June 2023 (unaudited)	10,858	37,420	17,199	(167)	413	1,531	1,092	1,330	173,077	242,753

	Share capital £'000	Share premium £'000	Share-based payments £'000	Investment in own shares £'000	Share-based payments deferred tax £'000	Other reserve £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2022 (audited)	10,804	36,996	13,180	(164)	933	1,531	(21)	(1,936)	154,354	212,677
Consolidated profit for the period to 30 June 2022	-	-	-	-	-	-	-	-	9,668	9,668
Other comprehensive (expense)/ income	-	-	-	-	-	-	(3,704)	3,896	-	192
Total comprehensive (expense)/ income	-	-	-	-	-	-	(3,704)	3,896	9,668	9,860
Share-based payments	-	-	1,141	-	-	-	-	-	-	1,141
Share options exercised	32	106	113	-	(364)	-	-	-	-	(113)
Shares purchased by EBT	-	-	-	(337)	-	-	-	-	-	(337)
Shares sold by EBT	-	-	-	334	-	-	-	-	-	334
Dividends paid (Note 8)	-	-	-	-	-	-	-	-	(2,970)	(2,970)
At 30 June 2022 (unaudited)	10,836	37,102	14,434	(167)	569	1,531	(3,725)	1,960	158,052	220,592

	Share capital £'000	Share premium £'000	Share-based payments £'000	Investment in own shares £'000	Share-based payments deferred tax £'000	Other reserve £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2022 (audited)	10,804	36,996	13,180	(164)	933	1,531	(21)	(1,936)	151,354	212,677
Consolidated profit for the year to 31 December 2022	-	-	-	-	-	-	-	-	20,406	20,406
Other comprehensive (expense)/ income	-	-	-	-	-	-	(1,498)	6,940	-	5,442
Total comprehensive (expense)/ income	-	-	-	-	-	-	(1,498)	6,940	20,406	25,848
Share-based payments	-	-	2,439	-	(402)	-	-	-	-	2,037
Share options exercised	39	273	92	-	-	-	-	-	-	404
Shares purchased by EBT	-	-	-	(392)	-	-	-	-	-	(392)
Shares sold by EBT	-	-	-	389	-	-	-	-	-	389
Dividends paid (Note 8)	-	-	-	-	-	-	-	-	(4,341)	(4,341)
At 31 December 2022 (audited)	10,843	37,269	15,711	(167)	531	1,531	(1,519)	5,004	167,419	236,622

Condensed Consolidated Statement of Cash Flows

	Note	(Unaudited) Six months ended 30 June 23 £'000	(Unaudited) Six months ended 30 June 22 £'000	(Audited) Year ended 31 December 22 £'000
Cash flows from operating activities				
Operating profit		10,406	12,237	24,890
<i>Adjustments for:</i>				
Depreciation		2,045	1,917	4,049
Amortisation – acquired intangible assets		2,402	1,573	3,414
– development costs		458	436	879
– software intangibles		258	245	502
Increase in inventories		(4,011)	(2,355)	(7,087)
Increase in trade and other receivables		(2,732)	(1,098)	(596)
(Decrease)/Increase in trade and other payables		(4,783)	(737)	1,711
Share-based payments expense		1,476	1,141	2,439
Taxation paid		(1,370)	(827)	(3,324)
Net cash inflow from operating activities		4,149	12,532	26,877
Cash flows from investing activities				
Purchase of software		(4)	(22)	(73)
Capitalised development costs		(3,046)	(2,571)	(6,152)
Purchases of property, plant and equipment		(1,767)	(1,669)	(3,739)
Proceeds from disposal of property, plant and equipment		–	27	46
Interest received		1,147	156	820
Acquisition of subsidiaries (net of cash acquired)	9	(5,529)	(2,781)	(2,781)
Payment of contingent consideration	9	(3,080)	–	–
Net cash used in investing activities		(12,279)	(6,860)	(11,879)
Cash flows from financing activities				
Dividends paid	8	(3,274)	(2,970)	(4,341)
Repayment of principal under lease liabilities		(653)	(581)	(1,295)
Issue of equity shares		162	108	(331)
Shares purchased by EBT		(687)	(337)	266
Shares sold by EBT		687	334	(392)
Interest paid		(198)	(304)	389
Repayment of borrowings	9	(486)	(331)	(617)
Net cash used in financing activities		(4,449)	(4,081)	(6,321)
Net (decrease)/increase in cash and cash equivalents		(12,579)	1,591	8,677
Cash and cash equivalents at the beginning of the period		82,262	72,965	72,965
Effect of foreign exchange rate changes		(541)	785	620
Cash and cash equivalents at the end of the period		69,142	75,341	82,262

Notes Forming Part of the Consolidated Financial Statements

1. Reporting entity

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

The Company's ordinary shares are traded on the AIM market of the London Stock Exchange plc. The Consolidated Financial Statements of the Company for the six months ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is primarily involved in the design, development and manufacture of innovative tissue-healing technology for sale into the global medical device market.

2. Basis of preparation

The information for the period ended 30 June 2023 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2022 has been delivered to the Registrar of Companies. The auditor reported on those accounts; their report was unqualified, did not draw attention to any matters of emphasis without qualifying the report and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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.

3. Accounting policies

The same accounting policies, presentations and methods of computation are followed in the Condensed set of Financial Statements as applied in the Group's latest annual audited financial apart from the adoption of the following new or amended IFRS and Interpretations issued by the International Accounting Standards Board (IASB):

- 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)

No revised standards adopted in the current period have had a material impact on the Group's Financial Statements.

The unaudited Condensed set of Financial Statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the United Kingdom. These condensed interim accounts should be read in conjunction with the annual accounts of the Group for the year ended 31 December 2022. The annual Financial Statements of Advanced Medical Solutions Group plc are prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom.

4. Earnings per share

	(Unaudited) Six months ended 30 June 2023	(Unaudited) Six months ended 30 June 2022	(Audited) Year ended 31 December 2022
Number of shares	'000	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	216,947	216,272	216,512
Effect of dilutive potential ordinary shares: share options, deferred annual bonus, Share Incentive Plan, LTIPs	3,084	2,527	2,969
Weighted average number of ordinary shares for the purposes of diluted earnings per share	220,031	218,799	219,481

Basic EPS is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the period.

Diluted EPS is calculated on the same basis as basic EPS but with the further adjustment to the weighted average shares in issue to reflect the effect of all potentially dilutive share options. The number of potentially dilutive share options is derived from the number of share options and awards granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period.

Notes Forming Part of the Consolidated Financial Statements continued

4. Earnings per share continued

Adjusted earnings per share

Adjusted EPS is calculated after adding back amortisation of acquired intangible assets and movement in long-term acquisition liabilities and is based on earnings of:

	(Unaudited) Six months ended 30 June 2023 £'000	(Unaudited) Six months ended 30 June 2022 £'000	(Audited) Year ended 31 December 2022 £'000
Earnings			
Profit for the year being attributable to equity holders of the parent	8,932	9,668	20,406
Amortisation of acquired intangible assets	2,402	1,573	3,414
Movement in long-term acquisition liabilities	(404)	(283)	(840)
Adjusted profit for the year being attributable to equity holders of the parent	10,930	10,958	22,980
	pence	pence	pence
Basic EPS	4.12	4.47	9.42
Diluted EPS	4.06	4.42	9.30
Adjusted basic EPS	5.04	5.07	10.61
Adjusted diluted EPS	4.97	5.01	10.47

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

The adjusted diluted EPS information is considered to provide an alternative representation of the Group's trading performance, consistent with the view of management.

5. Segment information

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

Business segments

The principal activities of the Business Units are as follows:

Surgical

Selling, marketing and innovation of the Group's surgical products either sold directly by our sales teams or by distributors.

Woundcare

Selling, marketing and innovation of the Group's advanced woundcare products supplied under partner brands, bulk materials and the ActivHeal® brand predominantly to the UK NHS as well as bio diagnostics products following the acquisition of Raleigh.

Segment information about these Business Units is presented below:

Six months ended 30 June 2023 (Unaudited)	Surgical £'000	Woundcare £'000	Consolidated £'000
Revenue	39,411	23,677	63,088
Result			
Adjusted segment operating profit	10,095	3,331	13,426
Amortisation of acquired intangibles	(1,931)	(471)	(2,402)
Segment operating profit	8,164	2,860	11,024
Unallocated expenses			(618)
Operating profit			10,406
Finance income			2,229
Finance costs			(867)
Profit before tax			11,768
Tax			(2,836)
Profit for the period			8,932

At 30 June 2023 (Unaudited) Other information	Surgical £'000	Woundcare £'000	Consolidated £'000
Capital additions:			
Software intangibles	2	2	4
Development	2,680	366	3,046
Property, plant and equipment	1,253	514	1,767
Depreciation and amortisation	(3,680)	(1,483)	(5,163)
Balance sheet			
Assets			
Segment assets	206,856	84,718	291,574
Unallocated assets			–
Consolidated total assets			291,574
Liabilities			
Segment liabilities	37,800	11,021	48,821

Six months ended 30 June 2022 (Unaudited)	Surgical £'000	Woundcare £'000	Consolidated £'000
Revenue	35,941	22,363	58,304
Result			
Adjusted segment operating profit	10,706	3,553	14,259
Amortisation of acquired intangibles	(1,101)	(472)	(1,573)
Segment operating profit	9,605	3,081	12,686
Unallocated expenses			(449)
Operating profit			12,237
Finance income			436
Finance costs			(337)
Profit before tax			12,336
Tax			(2,668)
Profit for the period			9,668

At 30 June 2022 (Unaudited) Other information	Surgical £'000	Woundcare £'000	Consolidated £'000
Capital additions:			
Software intangibles	13	9	22
Development	1,976	595	2,571
Property, plant and equipment	1,095	574	1,669
Depreciation and amortisation	(2,695)	(1,476)	(4,171)
Balance sheet			
Assets			
Segment assets	179,274	84,757	264,031
Unallocated assets			114
Consolidated total assets			264,145
Liabilities			
Segment liabilities	29,184	14,369	43,553

Notes Forming Part of the Consolidated Financial Statements continued

5. Segment information continued

Year ended 31 December 2022 (Audited)	Surgical £'000	Woundcare £'000	Consolidated £'000
Revenue	74,861	49,469	124,330
Result			
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

At 31 December 2022 (Audited) Other information	Surgical £'000	Woundcare £'000	Consolidated £'000
Capital additions:			
Software intangibles	34	39	73
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)
Balance sheet			
Assets			
Segment assets	190,456	90,638	281,094
Unallocated assets			-
Consolidated total assets			281,094
Liabilities			
Segment liabilities	29,786	14,686	44,472

Geographical segments

The Group operates in the UK, the Netherlands, Germany, the Czech Republic, Ireland, France and Israel, with a sales office located in Russia, distributor in Austria, and a sales presence in the USA. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. The Group's small legacy sales office in Moscow has historically contributed approximately 1% of the Group's operating profit.

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:

Segmental Revenue	(Unaudited) Six months ended 30 June 2023 £'000	(Unaudited) Six months ended 30 June 2022 £'000	(Audited) Year ended 31 December 2022 £'000
United Kingdom	9,994	9,515	19,960
Germany	11,666	10,250	20,780
Rest of Europe	19,136	14,596	32,519
United States of America	16,678	19,519	40,807
Rest of World	5,614	4,424	10,264
	63,088	58,304	124,330

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

Segmental Assets	(Unaudited)	(Unaudited)	(Audited)
	30 June 2023 £'000	30 June 2022 £'000	31 December 2022 £'000
United Kingdom	154,705	145,112	151,817
Germany	76,428	67,942	78,877
France	11,414	9,611	11,934
Rest of Europe	27,117	14,697	16,670
Israel	19,698	22,277	21,345
United States of America	2,212	4,506	451
	291,574	264,145	281,094

6. Financial Instruments' fair value disclosures

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

The Group held the following financial instruments at fair value at 30 June 2023. The Group has no financial instruments with fair values that are determined by reference to significant unobservable inputs i.e. those that would be classified as level 3 in the fair value hierarchy, nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

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

	Ave. exchange rate			Foreign currency			Fair value		
	30 June 23 USD:£1	30 June 22 USD:£1	31 Dec 22 USD:£1	30 June 23 USD'000	30 June 22 USD'000	31 Dec 22 USD'000	30 June 23 £'000	30 June 22 £'000	31 Dec 22 £'000
Cash flow hedges									
Sell US dollars									
Less than 3 months	1.31	1.36	1.28	9,500	9,000	11,500	(192)	(791)	(540)
3 to 6 months	1.30	1.36	1.31	9,000	10,000	9,000	(142)	(868)	(550)
7 to 12 months	1.21	1.32	1.30	15,000	17,500	18,500	585	(1,012)	(1,040)
Over 12 months	1.14	1.30	1.15	15,000	25,000	22,500	1,188	(1,052)	890
				48,500	61,500	61,500	1,439	(3,723)	(1,240)

	Ave. exchange rate			Foreign currency			Fair value		
	30 June 23 EUR:£1	30 June 22 EUR:£1	31 Dec 22 EUR:£1	30 June 23 EUR'000	30 June 22 EUR'000	31 Dec 22 EUR'000	30 June 23 £'000	30 June 22 £'000	31 Dec 22 £'000
Cash flow hedges									
Sell Euros									
Less than 3 months	1.15	1.15	1.14	600	900	600	5	6	(9)
3 to 6 months	1.15	1.15	1.15	600	900	600	4	2	(15)
7 to 12 months	1.14	1.15	1.15	1,200	1,600	1,200	8	(5)	(29)
Over 12 months	–	1.15	1.14	–	800	1,200	–	(5)	(26)
				2,400	4,200	3,600	17	(2)	(79)

Notes Forming Part of the Consolidated Financial Statements

continued

7. Taxation

The weighted average tax rate for the Group for the six-month period ended 30 June 2023 was 26.3% (first half of 2022: 24.4%, year ended 31 December 2022: 22.8%). The Group's effective tax rate for the full year is expected to be 24.1%, which has been applied to the six months ended 30 June 2023 (first half of 2022: 21.6%, year ended 31 December 2022: 21.2%). This represents an increase on the previous period due to the increased tax rate in the UK, where the Group generates a significant amount of profit.

8. Dividends

	(Unaudited) Six months ended 30 June 2023 £'000	(Unaudited) Six months ended 30 June 2022 £'000	(Audited) Year ended 31 December 2022 £'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2021 of 1.37p per ordinary share	–	2,970	2,960
Interim dividend for the year ended 31 December 2022 of 0.64p per ordinary share	–	–	1,381
Final dividend for the year ended 31 December 2022 of 1.51p per ordinary share	3,274	–	–
	3,274	2,970	4,341

9. Acquisition of Connexicon

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.

In the five-month period from acquisition to 30 June 2023, Connexicon contributed £0.4 million of revenue to the Group and a negligible amount of operating profit. In addition, amortisation of intangible assets of £0.6 million was recorded within the Group as a result of the acquisition. The results, assets and liabilities of Connexicon has been included in the Surgical Business Unit segment.

	£'000
Identifiable net assets acquired	
Customer related intangible assets	587
Technology based intangible assets	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)
Arising on acquisition	
Goodwill	11,040
Total net assets	20,071

	£'000
Satisfied by	
Cash consideration	6,375
Contingent consideration	13,696
	20,071

	£'000
Net cash flow on acquisition	
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. €16 million (£14 million) is the estimated fair value of the contingent consideration at the acquisition date.

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

During the period, £3.1 million of contingent consideration was paid (30 June 2022: £nil, 31 December 2022: £nil). Connexicon met milestones relating to product and process validation resulting in a contingent consideration payment of €3 million whilst AFS achieved its 2022 EBITDA milestone, resulting in a payment of €500,000.

10. Contingent liabilities

The Directors are not aware of any contingent liabilities faced by the Group as at 30 June 2023 (30 June 2022: £nil, 31 December 2022: £nil).

11. Share capital

Share capital as at 30 June 2023 amounted to £10,858,000 (30 June 2022: £10,836,000, 31 December 2022: £10,843,000). During the period the Group issued 296,989 shares in respect of share options, LTIPs, Deferred Annual Bonus Scheme and the Share Incentive Plan.

12. 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 and considered whether there are any factors that indicate a deterioration in trading performance beyond 12 months. The forecasts used are based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the current economic environment.

The Group has used sensitivity analysis on the Group's forecasted performance, using a mid-case scenario, a 10% sales reduction, and a worst-case scenario, a 25% sales reduction. The results show that in all of these scenarios AMS is able to continue its operations for a period of at least 12 months.

With regards to the Group's financial position, it had cash and cash equivalents at 30 June 2023 of £69.1 million.

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

After taking the above into consideration, the Directors have reached the conclusion that the Group is well placed to manage its business risks in the current economic environment. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

13. Principal risks and uncertainties

Further detail concerning the principal risks affecting the business activities of the Group is detailed on pages 43–47 of the Annual Report and Accounts for the year ended 31 December 2022. There have been no significant changes since the last annual report.

14. Seasonality of sales

There are no significant factors affecting the seasonality of sales between the first and second half of the year.

15. Events after the balance sheet date

With the exception of its trading update on 4 September, there have been no material events subsequent to the end of the interim reporting period ended 30 June 2023.

16. Copies of the interim results

Copies of the interim results can be obtained from the Group's registered office at Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT and are available on our website "www.admedsol.com".



Printed by a Carbon Neutral Operation (certified: CarbonQuota) under the PAS2060 standard.

This product is made using recycled materials limiting the impact on our precious forest resources, helping reduce the need to harvest more trees.

This publication was printed by an FSC™ certified printer that holds an ISO 14001 certification.

100% of the inks used are HP Indigo ElectroInk which complies with RoHS legislation and meets the chemical requirements of the Nordic Ecolabel (Nordic Swan) for printing companies, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

The paper is Carbon Balanced with World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land. Through protecting standing forests, under threat of clearance, carbon is locked-in, that would otherwise be released.

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