



Advanced Medical Solutions Group plc

Interim Report 2022



Recovery & Optimism



About AMS

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.

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, Germany, France and Israel. Established in 1991, the Group has more than 700 employees.

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Financial Highlights

Group Revenue
(£ million)

£58.3m

2021: **£50.2m**
Reported change: +16%
(+16% at constant currency)¹

Adjusted² profit before tax
(£ million)

£13.6m

2021: **£12.4m**
Reported change: +10%

Adjusted² profit before tax
(%)

23.4%

2021: **24.6%**
Reported change: -1.2pp

Adjusted² diluted earnings
per share (p)

5.01p

2021: **4.64p**
Reported change: +8%

Profit before tax (£ million)

£12.3m

2021: **£11.2m**
Reported change: +10%

Profit before tax (%)

21.2%

2021: **22.3%**
Reported change: -1.1pp

Diluted earnings
per share (p)

4.42p

2021: **4.10p**
Reported change: +8%

Net operating cash flow
(£ million)

£12.5m

2021: **£13.7m**
Reported change: -8%

Net cash³ (£ million)

£75.3m

2021: **£61.1m**
Reported change: +23%

Interim dividend per share (p)

0.64p

2021: **0.58p**
Reported change: +10%

Business Highlights (including post period end):

The encouraging start to trading in 2022 continued despite having to manage the increasing macro-economic challenges of supply chain and inflation. AMS is pleased to report strong growth in revenue and profitability as well as significant regulatory and clinical progress in the period whilst continuing to invest in developing its next generation products.

- Revenue increased by 16% to £58.3 million (2021 H1: £50.2 million) predominately driven by commercial progress and increased pricing to recover inflationary cost increases.
- Gross margins increased to 58.9% (2021 H1: 55.9%) as a result of increased volumes.
- Total investment in R&D increased to £5.4 million (2021 H1: £4.4 million), representing 9.3% (2021 H1: 8.7%) of revenue, as progress was made on key projects across the Group.
- The Group reports a 10% increase in adjusted profit before tax to £13.6 million (2021 H1: £12.4 million) despite increased investment in R&D. Adjusted profit before tax margin of 23.4% remains in line with that generated for the full year 2021.
- Net cash increased to £75.3 million (FY 2021: £73.0 million) driven by strong trading and operational cash flow, partly offset by the acquisition of AFS Medical.
- Surgical Business Unit revenues increased to £35.9 million (2021 H1: £30.4 million), an increase of 18% at constant currency.
- Woundcare Business Unit revenues increased to £22.4 million (2021 H1: £19.8 million), an increase of 11% at constant currency.
- Given the Group's strong net cash position and reflecting the Board's continued confidence in the future, the interim dividend is increased to 0.64p per share (2021 H1: 0.58p).
- As announced in May 2022, the LiquiBand® XL 510(k) approval has been received and initial orders have been fulfilled in Q3. This approval provides access to a new \$60m, long wound sealant market in the US and strengthens our market share across the entire LiquiBand® product portfolio.
- The acquisition of AFS Medical was completed in the period and integration is going well. The Board remains excited about the commercial synergies that this acquisition provides. Financial performance continues to be in line with initial expectations.
- As previously reported, recruitment for the US clinical trial of LiquiBandFix8® has now been completed and the Premarket Approval (PMA) filing remains on track for H2 2022 once all the patients have completed their 12-month follow up.
- The Seal-G® and Seal-G® MIST human clinical trials have continued and more than half of the total 160 patient procedures have now been completed. Patient recruitment has been slower than initially planned but is now ramping up. With nine sites now actively recruiting patients, procedures are expected to be completed in H1 2023.

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



"I am pleased to report AMS's continued robust financial performance in the first half with strong revenue, profitability and cash generation. We have also seen significant regulatory and clinical progress in meeting enhanced regulatory requirements and developing the next generation of innovative products, including the launch of LiquiBand® XL, that we expect to drive further growth over the coming years. This progress has been achieved against a backdrop of challenging macro-economic conditions which is testament to the quality and dedication of the AMS teams involved. The Group's ongoing, robust financial health makes it well placed to deliver organic and acquisitive growth; reflecting this confidence, the Board has decided to increase the dividend for the first half."

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 2022 H1, were £1.6 million (2021 H1: £1.6 million) and a £0.3 million credit for a change in long-term liabilities (2021 H1: credit of £0.4 million) as defined in the Financial Review. Adjusted operating margin is shown before amortisation of acquired intangible assets.

3 Net cash in 2022 H1 was £75.3 million (2021 H1: £61.1 million) and consists of cash and cash equivalents of £75.3 million (2021 H1: £61.1 million).

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® and LiquiBandFix8®.

Significant revenue growth in the Surgical Business Unit was driven by commercial progress, increased pricing and ongoing stock building by some partners. Revenue increased by 18% in the period to £35.9 million (2021 H1: £30.4 million) on a reported and constant currency basis.

Overall elective surgery volumes in our key markets continue to be restricted by hospital capacity and remain below pre-pandemic norms and as a result, the backlog of patients awaiting elective surgery is at record levels.

Surgical Business Unit	2022 H1 £ million	2021 H1 £ million	Reported Growth	Growth at constant currency
Advanced Closure	17.9	15.2	18%	15%
Internal Fixation and Sealants	1.6	1.2	37%	39%
Traditional Closure	8.0	7.3	10%	12%
Biosurgical Devices	7.7	6.7	15%	18%
Other Distributed Products	0.7	–	–	–
TOTAL	35.9	30.4	18%	18%

Advanced Closure

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

Advanced Closure	2022 H1 £ million	2021 H1 £ million	Reported Growth	Growth at constant currency
Americas	12.0	10.4	16%	11%
UK/Germany	3.4	2.8	22%	23%
Rest of World	2.5	2.0	25%	24%
TOTAL	17.9	15.2	18%	15%

Revenues increased to £17.9 million (2021 H1: £15.2 million) representing growth of 18% on a reported basis and 15% on a constant currency basis.

US LiquiBand® growth was strong as LiquiBand® Rapid continued to make good progress in the market. As previously reported, there has been a level of stock building by our partners as they recover from the COVID-19 pandemic, which continued and was completed in the period.

LiquiBand® XL is now being sold in additional European territories following its launch in the UK in late 2021 and initial sales have also been made into Australia and Japan.

The 510(k) for LiquiBand® XL was received in the period and initial orders to the US are being fulfilled in Q3 2022. This approval provides access to a new \$60 million market and unlocks further growth potential in the LiquiBand® business with all partners.

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 37% on a reported basis to £1.6 million (2021 H1: £1.2 million) and 39% on a constant currency basis due to commercial progress, increasing volumes of hernia surgery and, to a lesser extent, the acquisition of AFS Medical which increases the Group's end sales of the product. Encouraging growth has been seen in the UK following recommendation from the National Institute for Clinical Excellence (NICE) to consider the use of cyanoacrylate adhesives in place of invasive tackers.

The acquisition of AFS Medical, who are specialist distributors of LiquiBandFix8®, will strengthen our ability to further penetrate into existing markets and will complement our existing sales expertise.

The US clinical trial for LiquiBandFix8® continues to progress well with completed patient procedure numbers on track to submit the clinical module of the Premarket Approval (PMA) filing in H2 2022, after the 12-month patient follow-up. AMS continues to be encouraged about the long-term prospects for the LiquiBandFix8® portfolio with entry into the US being a significant milestone for the Group.

In the period, the clinical trials for both Seal-G® MIST (laparoscopic surgery) and Seal-G® (open surgery) progressed with nine sites now being used in the trial and about half of the 160 procedures now complete. Recruitment into the trial has been slower than initially expected but is ramping up and completion is now anticipated in H1 2023. We continue to develop our relationships with Key Opinion Leaders and potential partners and remain positive about the opportunity that this product presents to answer a high unmet patient need for an effective GI sealant. Follow-on pivotal clinical trial design is now underway, with a view to starting in 2023.

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 10% to £8.0 million and by 12% at constant currency (2021 H1: £7.3 million) with significant growth in sales of dental sutures into the US.

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 15% to £7.7 million (2021 H1: £6.7 million) and by 18% at constant currency driven by demand for collagens both with and without antibiotics.

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

Sales of our RESORBA® branded bone substitutes range in Germany, the Czech Republic and elsewhere continued to grow since launching in 2020.

The Group intends to launch into the US Bone Substitutes market in the next 12 months via an Independent Rep model. This will initially incorporate a number of existing Biomatlante products and in time is expected to be supplemented by adding our more innovative Freeze-Dried Bone Substitute range that requires more development and regulatory work before it can be commercialised.

Other Distributed Products

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

Plymouth facility expansion

The construction phase of the Plymouth facility expansion started in the period and the two-year project remains on track. The extension will significantly increase the manufacturing capacity for Seal-G®, Fix8® and LiquiBand® as well as provide more 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 due to higher ordering from OEM partners, growth in increased ActivHeal® sales overseas and royalties as well as increased pricing to recover inflationary cost increases. Revenue increased by 13% in the period to £22.4 million (2021 H1: £19.8 million) and by 11% on a constant currency basis.

	2022 H1 £ million	2021 H1 £ million	Reported Growth	Growth at constant currency
Infection Management	7.2	6.7	6%	4%
Exudate Management	11.1	10.0	11%	11%
Other Woundcare	4.1	3.1	32%	27%
TOTAL	22.4	19.8	13%	11%

Infection Management

The Infection Management category comprises advanced woundcare dressings that incorporate antimicrobials such as Silver and Polyhexamethylene Biguanide (PHMB). Revenue increased by 6% on a reported basis and by 4% on a constant currency basis to £7.2 million (2021 H1: £6.7 million) due to sales growth with a number of OEM partners and ActivHeal® growth in the Gulf States. Sales of PHMB were adversely impacted, however, due to a raw material supply issue which has since been resolved in the second half of the year.

Following the receipt of an enhanced 510(k) approval for our Silver High Performance Dressing incorporating an antimicrobial indication in the prior year, we have continued to penetrate both the US and the Middle East antimicrobial gelling fibre markets with this patent-protected technology.

The Group's CE marked Silicone PHMB foam range, previously sold at low levels into the MEA region, was launched into the UK and a number of other European countries in the period. US and APAC launches are expected to follow in 2023.

AMS submitted a 510(k) application for its high gelling antimicrobial product, in the period. We have received, and are working through, FDA questions and anticipate approval at around the end of 2022 with commercial launch now expected in 2023.

AMS continues to invest in its R&D pipeline to develop the next generation of advanced woundcare products and our reputation for innovative solutions and expertise means we are regularly approached by partners seeking to collaborate with AMS.

Exudate Management

Exudate Management comprises advanced woundcare dressings and gels which do not incorporate any antimicrobial elements. Revenue increased by 11% on a reported and constant currency basis to £11.1 million (2021 H1: £10.0 million) due to increased orders from OEM partners and ActivHeal® growth driven by a tender win in the Republic of Ireland.

Following the acquisition of Raleigh, the AMS and Raleigh woundcare teams have worked closely together to develop next generation products and evaluate commercial opportunities for Raleigh products. Progress has also been made with the in-sourcing of elements of the woundcare manufacturing process which commenced in the first half of 2022, albeit at lower levels than planned due to supply chain challenges.

AMS has continued to appoint new ActivHeal® distribution partners in markets where its key partners have no or low presence but the demand for a high quality, cost effective woundcare dressing range still exists. Several new contracts have been signed in the first half of the year, expanding the Group's branded distribution network, with launches planned in the second half of the year and into 2023 upon receipt of market registrations.

Having gained regulatory approvals for its Mechanical Debridement product in 2021, AMS is currently in discussions with a number of potential commercial partners with launch expected in 2023.

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

AMS continues to develop a customer-specific negative pressure dressing and expects to record initial sales in the second half of 2022 as our partner continues with its 510(k) process. In addition, we expect to start work on the partner's next generation device in the near future. The Group sees considerable medium-term potential in the negative pressure wound treatment space.

As part of the Medical Devices Regulation (MDR) transition we have been able to add a number of claims to existing products during the period including an extended wear claim for Silicone Wound Contact Layer as well as a claim to use under negative pressure wound therapy and bony prominences. A pressure injury prevention claim has also been added for the Silicone Foam range.

Chief Executive's Review continued

Other Woundcare

Other Woundcare comprises royalties, fees and woundcare sealants. Revenue increased by 32% at reported currency and by 27% at constant currency to £4.1 million (2021 H1: £3.1 million) due to increased partner demand for membranes, higher sales of Silicone Wound Contact Layer and a higher royalty income from the Group's licensing arrangement with Organogenesis.

Regulatory

The Group continues to make progress with its preparation for MDR with 10 certificates now received and a further 13 files submitted which together represent 40% of our planned number of submissions. The Group remains well prepared for the stricter requirements on product safety and performance, clinical evaluation and post-market clinical evidence stipulated by MDR and further submissions and approvals are anticipated in the second half of the year.

The Group's extensive preparations leave it well placed to exploit opportunities that it expects will arise in Europe in the next few years during the implementation of MDR.

Supply chain and inflation

The Group continues to face supply chain challenges, like many other businesses across all sectors globally, with inflationary pressure being felt across the business and shortages of material in some areas. AMS aims to recover the impact of cost inflation from its customers predominately during annual price review negotiations and is on track to achieve this in FY 2022. Shortages of material did not have a significant impact on our operations in the period but there remains the risk of disruption in future periods. We continue to review stockholding levels and our strong balance sheet allows us to forward order where possible.

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

Board changes

As part of the ongoing plan to refresh the Non-Executive Directors, Penny Freer stepped down during the period after 12 years on the Board. As announced in August 2022, Liz Shanahan has since been appointed to replace Penny as an Independent Non-Executive Director. With considerable plc Board experience in healthcare and life sciences and specialist skills in communications, Liz joined the Audit, Nomination and Remuneration Committees and will be responsible for Workforce Engagement in line with the UK Corporate Governance Code requirements.

Key management appointments support strategic growth

AMS is committed to pursue growth opportunities through investment in organic and acquisitive growth opportunities. As part of this process, the Group has created a dedicated Corporate Business Development Team to strengthen its ability to identify new targets that will expand and complement the Company's portfolio of tissue-healing technologies and distribution capability. The new team is headed by Brian Dowd, formerly the Global Marketing Manager for the Surgical Business Unit at AMS. Based in the US, Brian already has extensive knowledge of the Group's global strategy and the competitive profile of its key markets, so is ideally placed to pursue new M&A opportunities.

The Group has also appointed Andy Donnelly as Group R&D Director who joins AMS with over 25 years of experience in pharmaceutical, medical device and formulation development and will be focussed on further strengthening the Group's innovation, product development and ability to meet MDR requirements. Joining AMS from Bespak, Andy replaces Chris Locke who joined AMS in July 2021 to head up the R&D function and left the business earlier this year.

Russia

The Group continues to review the activities in its small legacy sales office in Moscow that has historically contributed approximately 1% of the Group's operating profit.

Environmental, Social & Governance

The Group continues to make strong progress on ESG led by our Steering Committee which manages ESG activities across the Group. Our ESG strategy continues to focus on our environmental impact, the well-being of our workforce, driving equality, diversity and inclusion, and further strengthening our corporate governance, internally and across our supply chain to meet ever increasing customer requirements. During the period we have commenced the development of a pathway to net zero with an external consultant appointed to support our journey as we seek to reduce our carbon footprint and waste and we have launched an electric vehicle scheme for our employees. We continue to support good causes in our local community with financial support and employee volunteering.

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 in this period and prior years, would not have been possible.

Summary

AMS delivered strong revenue growth, profitability and cash generation in the first half of 2022 driven by good underlying performance and the continuing recovery from the COVID-19 pandemic. The Group made significant regulatory and clinical progress in the period as it continues to increase its investments in developing next generation products

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 change in long-term liabilities to be separately identified. Net cash is an additional non-GAAP measure used.

Overview

Revenue increased by 16% at reported and constant currency to £58.3 million (2021 H1: £50.2 million).

Gross profit increased to £34.4 million (2021 H1: £28.1 million) as a result of the sales increases in the period and gross margin as a percentage of revenue improved to 58.9% (2021 H1: 55.9%) as a result of higher volumes. Whilst we are experiencing inflationary supply pressure across the business we aim to recover these additional costs from customers.

Administration expenses increased to £21.6 million (2021 H1: £16.5 million) inclusive of foreign exchange movements as business activity returned to more routine levels and the business invested in its commercial and technical teams as well as its wider business infrastructure in preparation for further growth. The acquisition of AFS Medical added £0.5 million of administration costs and £0.2 million of one-off fees in relation to the acquisition which have not been deemed material enough to disclose as exceptional in nature.

The Group incurred £5.4 million of gross R&D spend in the period (2021 H1: £4.4 million), representing 9.3% of sales (2021 H1: 8.7%) which reflects an ongoing investment in innovation and in accommodating the heightened regulatory environment.

No exceptional costs have been incurred in the six-month period (2021 H1: Nil) and amortisation of acquired intangible assets was £1.6 million in the six-month period (2021 H1: £1.6 million).

Adjusted operating profit which excludes amortisation of acquired intangibles, increased by 9% to £13.8 million (2021 H1: £12.7 million) whilst the adjusted operating margin decreased by 150 bps to 23.7% (2021 H1: 25.2%) as the Group continued to invest in growth opportunities.

£0.3 million was recorded within finance income due to the movement in long-term liabilities recognised on acquisition of Sealantis in 2019 (2021 H1: £0.4 million).

The Group generated adjusted profit before tax of £13.6 million (2021 H1: £12.4 million) and profit before tax of £12.3 million (2021 H1: £11.2 million).

	Six months ended 30 June 2022 £'000	Six months ended 30 June 2021 £'000
Reconciliation of profit before tax to adjusted profit before tax		
Profit before tax	12,336	11,193
Amortisation of acquired intangibles	1,573	1,587
Change in long-term liabilities	(283)	(407)
Adjusted profit before tax	13,626	12,373

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 21.6% (2021 H1: 20.2%). The increase on the previous period has arisen as the Group has generated a higher proportion of its profits in Germany where the tax rate is higher than in other countries in which the Group pays corporation tax.

Adjusted diluted earnings per share increased by 8% to 5.01p (2021 H1: 4.64p) and diluted earnings per share increased by 8% to 4.42p (2021 H1: 4.10p) reflecting the Group's increased earnings. Adjusted basic earnings per share also increased by 8% to 5.07p (2021 H1: 4.69p) and basic earnings per share increased by 8% to 4.47p (2021 H1: 4.15p).

The Board intends to pay an interim dividend of 0.64p per share on 21 October 2022 to shareholders on the register at the close of business on 30 September 2022. This is a 10% increase on the interim dividend paid in respect of the first half of 2021 reflecting the Board's confidence in the future growth in the Group.

Operating result by business segment Six months ended 30 June 2022	Surgical £'000	Woundcare £'000
Revenue	35,941	22,363
Segment operating profit	9,605	3,081
Amortisation of acquired intangibles	1,101	472
Adjusted segment operating profit⁴	10,706	3,553
Adjusted operating margin⁴	29.8%	15.9%
Six months ended 30 June 2021		
Revenue	30,377	19,826
Segment operating profit	8,854	2,543
Amortisation of acquired intangibles	1,001	586
Adjusted segment operating profit ⁴	9,855	3,129
Adjusted operating margin ⁴	32.4%	15.8%

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 18% to £35.9 million (2021 H1: £30.4 million) at reported currency and constant currency. Adjusted operating margin decreased by 260 bps to 29.8% (2021 H1: 32.4%) due to continued investment in research and development, regulatory expenditure and the impact of inflation which has diluted the operating margin.

Financial Review continued

Woundcare

Woundcare revenues increased by 13% to £22.4 million (2021 H1: £19.8 million) at reported currency and by 11% at constant currency. Adjusted operating margin increased by 10 bps to 15.9% (2021 H1: 15.8%).

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 3.8% and 3.2% respectively and in the absence of any hedging this would have an impact on the Group operating margin of 3.1% and 0.3% percentage points respectively.

Cash Flow

Net cash inflow from operating activities decreased by 8% to £12.5 million (2021 H1: £13.7 million) as a result of an increase in inventory holdings.

At the end of the period, the Group had net cash of £75.3 million (31 December 2021: £73.0 million).

In the first half of 2022, receivables increased by £0.9 million due to the addition of AFS Medical and higher sales in the period (2021 H1: £1.5 million increase) with debtor days at 43, a slight reduction from the 44 days at 31 December 2021 (2021 H1: 50 days). Payables increased by £5.5 million as a result of the addition of AFS Medical which includes an element of contingent consideration and increased liabilities for foreign currency hedging (2021 H1: £1.8 million decrease).

Creditor days increased to 35 days (2021 H1: 31 days) largely due to the impact of a number of capital expenditure projects. Inventory levels increased by £3.4 million in the period but remained consistent at 5.5 months of supply in the period (2021 H1: 5.5 months of supply) as the increase is in-line with revenue growth once the impact of AFS Medical is considered. Attempts to hold higher stock levels have been offset by supply chain challenges.

In the period, we invested £4.3 million in capital equipment, R&D and regulatory costs including investment in expanding the Plymouth site to increase factory and laboratory capacity (2021 H1: £2.8 million).

Tax payments decreased to £0.8 million (2021 H1: £1.9 million) which is £1.8 million lower than tax in the income statement due to a refund of taxes paid in the previous year.

In June 2022, the Group paid its final dividend for the year ended 31 December 2021 of £3.0 million (2021 H1: £2.6 million).

The Group has an unsecured, undrawn £80 million, multi-currency credit facility provided jointly by HSBC and NatWest, which is in place until December 2022. This facility carries an annual interest rate of the applicable reference rate such as SONIA in the case of sterling plus a margin that varies between 0.60% and 1.70% depending on the Group's net debt to EBITDA ratio.

Condensed Consolidated Income Statement

	Note	(Unaudited) Six months ended 30 June 2022 £'000	(Unaudited) Six months ended 30 June 2021 £'000	(Audited) Year ended 31 December 2021 £'000
Revenue	5	58,304	50,203	108,601
Cost of sales		(23,934)	(22,116)	(47,531)
Gross profit		34,370	28,087	61,070
Distribution costs		(781)	(627)	(1,483)
Administration costs		(21,579)	(16,512)	(36,970)
Other income		227	133	381
Operating profit		12,237	11,081	22,998
Finance income		436	451	84
Finance costs		(337)	(339)	(1,098)
Profit before taxation		12,336	11,193	21,984
Income tax	7	(2,668)	(2,261)	(4,503)
Profit for the period attributable to equity holders of the parent		9,668	8,932	17,481
Earnings per share				
Basic	4	4.47p	4.15p	8.11p
Diluted	4	4.42p	4.10p	8.01p
Adjusted diluted ⁵	4	5.01p	4.64p	9.66p

Condensed Consolidated Statement of Comprehensive Income

	(Unaudited) Six months ended 30 June 2022 £'000	(Unaudited) Six months ended 30 June 2021 £'000	(Audited) Year ended 31 December 2021 £'000
Profit for the period	9,668	8,932	17,481
Exchange differences on translation of foreign operations	3,896	(3,891)	(5,194)
Loss arising on cash flow hedges	(3,704)	(264)	(1,548)
Deferred tax credit arising on cash flow hedges	–	50	290
Other comprehensive credit /(charge) for the period	192	(4,105)	(6,452)
Total comprehensive income for the period attributable to equity holders of the parent	9,860	4,827	11,029

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

Condensed Consolidated Statement of Financial Position

	Note	(Unaudited) 30 June 2022 £'000	(Unaudited) 30 June 2021 £'000	(Audited) 31 December 2021 £'000
Assets				
Non-current assets				
Acquired intellectual property rights		13,219	9,364	9,118
Technology based intangible assets		18,908	20,563	19,256
Software intangibles		1,898	2,184	2,107
Development costs		12,614	8,929	10,477
Goodwill		69,409	66,659	66,032
Property, plant and equipment		27,783	28,542	27,441
Trade and other receivables		79	90	105
		143,910	136,331	134,536
Current assets				
Inventories		22,732	20,599	19,300
Trade and other receivables		21,985	19,892	21,016
Current tax assets		177	2,041	1,692
Cash and cash equivalents		75,341	61,114	72,965
		120,235	103,646	114,973
Total assets		264,145	239,977	249,509
Liabilities				
Current liabilities				
Trade and other payables		18,422	11,574	14,958
Current tax liabilities		1,746	307	897
Lease liabilities		1,109	1,196	1,153
		21,277	13,077	17,008
Non-current liabilities				
Trade and other payables		5,724	2,777	3,679
Deferred tax liabilities		8,229	9,218	7,438
Lease liabilities		8,323	9,271	8,707
		22,276	21,266	19,824
Total liabilities		43,553	34,343	36,832
Net assets		220,592	205,634	212,677
Equity				
Share capital	11	10,836	10,787	10,804
Share premium		37,102	36,355	36,996
Share-based payments reserve		14,434	12,107	13,180
Investment in own shares		(167)	(164)	(164)
Share-based payments deferred tax reserve		569	557	933
Other reserve		1,531	1,531	1,531
Hedging reserve		(3,725)	1,023	(21)
Translation reserve		1,960	(633)	(1,936)
Retained earnings		158,052	144,071	151,354
Equity attributable to equity holders of the parent		220,592	205,634	212,677

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 2022 (audited)	10,804	36,996	13,180	(164)	933	1,531	(21)	(1,936)	151,354	212,677
Consolidated profit for the period to 30 June 2022	–	–	–	–	–	–	–	–	9,668	9,668
Other comprehensive income	–	–	–	–	–	–	(3,704)	3,896	–	192
Total comprehensive 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 2021 (audited)	10,769	36,288	11,142	(162)	430	1,531	1,237	3,258	137,718	202,211
Consolidated profit for the period to 30 June 2021	–	–	–	–	–	–	–	–	8,932	8,932
Other comprehensive income	–	–	–	–	–	–	(214)	(3,891)	–	(4,105)
Total comprehensive income	–	–	–	–	–	–	(214)	(3,891)	8,932	4,827
Share-based payments	–	–	878	–	–	–	–	–	–	878
Share options exercised	18	67	87	–	127	–	–	–	–	299
Shares purchased by EBT	–	–	–	(368)	–	–	–	–	–	(368)
Shares sold by EBT	–	–	–	366	–	–	–	–	–	366
Dividends paid (Note 8)	–	–	–	–	–	–	–	–	(2,579)	(2,579)
At 30 June 2021 (unaudited)	10,787	36,355	12,107	(164)	557	1,531	1,023	(633)	144,071	205,634

	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 2021 (audited)	10,769	36,288	11,142	(162)	430	1,531	1,237	3,258	137,718	202,211
Consolidated profit for the year to 31 December 2021	–	–	–	–	–	–	–	–	17,481	17,481
Other comprehensive income	–	–	–	–	–	–	(1,258)	(5,194)	–	(6,452)
Total comprehensive income	–	–	–	–	–	–	(1,258)	(5,194)	17,481	11,029
Share-based payments	–	–	1,979	–	503	–	–	–	–	2,482
Share options exercised	35	708	59	–	–	–	–	–	–	802
Shares purchased by EBT	–	–	–	(366)	–	–	–	–	–	(366)
Shares sold by EBT	–	–	–	364	–	–	–	–	–	364
Dividends paid (Note 8)	–	–	–	–	–	–	–	–	(3,845)	(3,845)
At 31 December 2021 (audited)	10,804	36,996	13,180	(164)	933	1,531	(21)	(1,936)	151,354	212,677

Condensed Consolidated Statement of Cash Flows

	Note	(Unaudited) Six months ended 30 June 22 £'000	(Unaudited) Six months ended 30 June 21 £'000	(Audited) Year ended 31 December 21 £'000
Cash flows from operating activities				
Operating profit		12,237	11,081	22,998
<i>Adjustments for:</i>				
Depreciation		1,917	1,946	3,893
Amortisation – intellectual property rights		1,573	1,587	3,179
– development costs		436	336	529
– software intangibles		245	241	1,247
(Increase)/Decrease in inventories		(2,355)	(190)	941
(Increase)/Decrease in trade and other receivables		(1,098)	967	(1,769)
(Decrease)/Increase in trade and other payables		(737)	(1,318)	2,105
Share-based payments expense		1,141	878	1,979
Taxation		(827)	(1,867)	(4,077)
Net cash inflow from operating activities		12,532	13,661	31,025
Cash flows from investing activities				
Purchase of software		(22)	(28)	(254)
Capitalised research and development		(2,571)	(1,969)	(4,441)
Purchases of property, plant and equipment		(1,669)	(848)	(1,768)
Disposal of property, plant and equipment		27	45	53
Interest received		156	43	84
Acquisition of subsidiary (net of cash acquired)	9	(2,781)	–	–
Net cash used in investing activities		(6,860)	(2,757)	(6,326)
Cash flows from financing activities				
Dividends paid	8	(2,970)	(2,579)	(3,845)
Repayment of principal under lease liabilities		(581)	(607)	(1,281)
Issue of equity shares		108	69	723
Shares purchased by EBT		(337)	(368)	(366)
Shares sold by EBT		334	366	364
Interest paid		(304)	(342)	(700)
Repayment of borrowings	9	(331)	–	–
Net cash used in financing activities		(4,081)	(3,461)	(5,105)
Net increase in cash and cash equivalents		1,591	7,443	19,594
Cash and cash equivalents at the beginning of the period		72,965	53,829	53,829
Effect of foreign exchange rate changes		785	(158)	(458)
Cash and cash equivalents at the end of the period		75,341	61,114	72,965

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, Winsford, 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 2022 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 2022 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 2021 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):

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

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 2021. 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 2022	(Unaudited) Six months ended 30 June 2021	(Audited) Year ended 31 December 2021
Number of shares	'000	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	216,272	215,468	215,677
Effect of dilutive potential ordinary shares: share options, deferred share bonus, LTIPs	2,527	2,630	2,627
Weighted average number of ordinary shares for the purposes of diluted earnings per share	218,799	218,098	218,304

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 change in long-term liabilities and is based on earnings of:

	(Unaudited) Six months ended 30 June 2022 £'000	(Unaudited) Six months ended 30 June 2021 £'000	(Audited) Year ended 31 December 2021 £'000
Earnings			
Profit for the year being attributable to equity holders of the parent	9,668	8,932	17,481
Amortisation of acquired intangible assets	1,573	1,587	3,179
Change in long-term liabilities	(283)	(407)	426
Adjusted profit for the year being attributable to equity holders of the parent	10,958	10,112	21,086
	pence	pence	pence
Basic EPS	4.47	4.15	8.11
Diluted EPS	4.42	4.10	8.01
Adjusted basic EPS	5.07	4.69	9.78
Adjusted diluted EPS	5.01	4.64	9.66

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 a fairer representation of the Group's trading performance.

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 in November 2020.

Segment information about these Business Units is presented below:

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
Consolidated total liabilities			43,553

Six months ended 30 June 2021 (Unaudited)	Surgical £'000	Woundcare £'000	Consolidated £'000
Revenue	30,377	19,826	50,203
Result			
Adjusted segment operating profit	9,855	3,129	12,984
Amortisation of acquired intangibles	(1,001)	(586)	(1,587)
Segment operating profit	8,854	2,543	11,397
Unallocated expenses			(316)
Operating profit			11,081
Finance income			451
Finance costs			(339)
Profit before tax			11,193
Tax			(2,261)
Profit for the period			8,932

At 30 June 2021 (Unaudited) Other information	Surgical £'000	Woundcare £'000	Consolidated £'000
Capital additions:			
Software intangibles	16	12	28
Development	1,216	753	1,969
Property, plant and equipment	463	385	848
Depreciation and amortisation	(2,481)	(1,629)	(4,110)
Balance sheet			
Assets			
Segment assets	155,927	83,870	239,797
Unallocated assets			180
Consolidated total assets			239,977
Liabilities			
Segment liabilities	20,301	14,043	34,343
Consolidated total liabilities			34,343

Notes Forming Part of the Consolidated Financial Statements continued

5. Segment information continued

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

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

Geographical segments

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

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

	(Unaudited) Six months ended 30 June 2022 £'000	(Unaudited) Six months ended 30 June 2021 £'000	(Audited) Year ended 31 December 2021 £'000
United Kingdom	9,515	8,488	18,454
Germany	10,250	9,956	20,863
Rest of Europe	14,596	12,487	22,913
United States of America	19,519	16,385	36,712
Rest of World	4,424	2,887	9,659
	58,304	50,203	108,601

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

	(Unaudited) Six months ended 30 June 2022 £'000	(Unaudited) Six months ended 30 June 2021 £'000	(Audited) Year ended 31 December 2021 £'000
United Kingdom	145,112	133,038	142,056
Germany	67,942	67,338	67,389
France	9,611	9,263	9,674
Rest of Europe	14,697	6,860	7,853
Israel	22,277	20,091	20,553
United States of America	4,506	3,387	1,984
	264,145	239,977	249,509

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 2022. 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 22 USD:£1	30 June 21 USD:£1	31 Dec 21 USD:£1	30 June 22 USD'000	30 June 21 USD'000	31 Dec 21 USD'000	30 June 22 £'000	30 June 21 £'000	31 Dec 21 £'000
Cash flow hedges									
Sell US dollars									
Less than 3 months	1.36	1.29	1.32	9,000	6,500	10,000	(791)	339	152
3 to 6 months	1.36	1.26	1.38	10,000	8,000	7,000	(868)	570	(114)
7 to 12 months	1.32	1.35	1.36	17,500	14,000	19,000	(1,012)	269	(184)
Over 12 months	1.30	-	1.34	25,000	-	7,500	(1,052)	-	14
				61,500	28,500	43,500	(3,723)	1,178	(132)

	Ave. exchange rate			Foreign currency			Fair value		
	30 June 22 EUR:£1	30 June 21 EUR:£1	31 Dec 21 EUR:£1	30 June 22 EUR'000	30 June 21 EUR'000	31 Dec 21 EUR'000	30 June 22 £'000	30 June 21 £'000	31 Dec 21 £'000
Cash flow hedges									
Sell Euros									
Less than 3 months	1.15	1.13	1.11	900	800	700	6	23	43
3 to 6 months	1.15	1.10	1.15	900	600	900	2	27	24
7 to 12 months	1.15	1.12	1.15	1,600	1,200	1,800	(5)	33	32
Over 12 months	1.15	-	1.14	800	-	600	(5)	-	12
				4,200	2,600	4,000	(2)	83	111

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 2022 was 24.4% (first half of 2021: 22.5%, year ended 31 December 2021: 23.0%). The Group's effective tax rate for the full year is expected to be 21.6%, which has been applied to the six months ended 30 June 2022 (first half of 2021: 20.2%, year ended 31 December 2021: 20.5%). This represents an increase on the previous period due to a higher proportion of the Group's profits arising in Germany where the tax rate is higher than in other countries in which the Group pays corporation tax.

8. Dividend

	(Unaudited) Six months ended 30 June 2022 £'000	(Unaudited) Six months ended 30 June 2021 £'000	(Audited) Year ended 31 December 2021 £'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2020 of 1.20p per ordinary share	–	2,579	2,579
Interim dividend for the year ended 31 December 2021 of 0.58p per ordinary share	–	–	1,266
Final dividend for the year ended 31 December 2021 of 1.37p per ordinary share	2,970	–	–
	2,970	2,579	3,845

9. Acquisition of AFS Medical

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

In the two month period from acquisition to 30 June 2022, AFS Medical contributed £0.9 million of revenue to the Group and a negligible amount of operating profit. In addition, amortisation of intangible assets of £0.1 million was recorded within the Group as a result of the acquisition.

	£'000
Identifiable net assets acquired	
Customer related intangible assets	3,424
Marketing intangible assets	524
Property, plant and equipment	242
Trade and other receivables	296
Inventory	845
Cash and cash equivalents	42
Trade and other payables	(1,294)
Lease liabilities	(226)
Borrowings	(331)
Borrowings from AMS	(2,526)
Deferred tax on intangible asset	(986)
Arising on acquisition	
Goodwill	1,452
Total net assets	1,462

Borrowings from AMS arose as funds were advanced prior to completion of the acquisition to repay external funding. These borrowings are now eliminated on consolidation. £0.3 million of borrowings that existed at the date of acquisition have been repaid prior to 30 June 2022 as disclosed in the Condensed Consolidated Statement of Cash flows.

Satisfied by	£'000
Cash consideration	297
Contingent consideration	1,165
	1,462

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

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

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

10. Contingent liabilities

The Directors are not aware of any contingent liabilities faced by the Group as at 30 June 2022 (30 June 2021: Enil, 31 December 2021: Enil).

11. Share capital

Share capital as at 30 June 2022 amounted to £10,836,000 (30 June 2021: £10,787,000, 31 December 2021: £10,804,000). During the period the Group issued 655,390 shares in respect of share options, LTIPS, Deferred Annual Bonus Scheme and the Deferred Share Bonus Scheme.

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. 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.

Due to the impact that COVID-19 has had on the global economy, the Group has deemed it appropriate to use 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, and importantly there remains significant margin between our covenants in place.

With regards to the Group's financial position, it had cash and cash equivalents at 30 June 2022 of £75.3 million and a four-year, £80 million, multi-currency, revolving credit facility, obtained in December 2018, with an accordion option under which AMS can request up to an additional £20 million on the same terms. The credit facility is provided jointly by HSBC and NatWest, is subject to leverage and interest cover covenants, is unsecured on the assets of the Group and is currently undrawn.

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 47-51 of the Annual Report and Accounts for the year ended 31 December 2021. 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

There have been no material events subsequent to the end of the interim reporting period ended 30 June 2022.

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"



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