

Principal Risks and Uncertainties

Overview of our principal risks and uncertainties

The Group’s principal risks, our actions to mitigate those risks, a directional indication of whether the risks have increased, decreased, or remained about the same, together with further commentary are set out in the table on the following pages. This list comprises the material risks and mitigating actions and is drawn from a more complete list of risks which are reviewed quarterly by the Board.

Risk Appetite

Risk appetite can be defined as ‘the amount and type of risk’ that the Group is willing to take to meet their strategic objectives. The Board have applied a differentiated risk appetite to each major category of risk, i.e. Strategic, Operational, Financial & Compliance.

Our approach to Strategic risk is ‘Seeking’, as we aim to be innovative in our specialist areas in pursuit of higher returns.


For Operational risks we adopt a ‘Cautious’ approach, where we are only prepared to accept some limited loss.

Our approach for Financial & Compliance risk is ‘Minimal’.

Strategic (“Seeking”)

1. Loss of Key Distribution Principal Agreements

The loss of any of the Group’s largest distribution agreements to sell medical devices on behalf of third parties may have a material impact on the Group’s business, prospects, financial condition or results of operations. Major account reviews take place regularly and plans are mutually agreed. Our strategy is based upon the added value of our supply chain and, if necessary, alternative product suppliers can be sourced.

Current Mitigation	Risk Movement
It is the Group’s intention to increase the proportion of revenue from products where we own or control intellectual property to minimise this risk. Additionally, the company will continue to invest in New Product Development and market development to reduce the reliance on third party products. Where distribution is deemed as important, long-term contracts are typically signed, but if a distributorship be lost, all efforts will be made to replace the revenue with alternative products and sales and marketing will constantly horizon scan for alternatives.	

2. New Product Development


New product development carries risk around cost and timescales for delivery. Due to the nature of the work, there are usually significant unknowns which may take longer and cost more to resolve. It could also be that intellectual property owned by a third party could be breached.

Additionally, competitors could bring out better products more quickly, meaning the investment justification for the project is outdated.

Current Mitigation	Risk Movement
<p>Projects are reviewed regularly by the Board. However, throughout the year, pieces of work are carried out to improve products and add value to maintain competitive advantage.</p> <p>Major projects are started with commercial justification and market need, given a priority based on revenue generation and strategic need. Resources are allocated and timetables agreed.</p> <p>They are managed through a staged process with Board approval at project inception and at post evaluation, final business case phase, at which point development costs are capitalised.</p> <p>The Vice President - Clinical, Innovation and Compliance - reports to the CEO and reports on projects, risks and costs, through regular project summary meetings, and is also invited to present to the Board twice a year on key projects. Product management review the market and feedback to senior management about the market dynamic.</p>	

3. Key Principal Loses Accreditation

Our principals need to maintain their ISO13485:2016 certificates along with the EC certificate/UKCA Mark to be able to sell products into the EU/UK. If these are lost, operating companies in the Group will not be able to import goods and sell them on.


Current Mitigation	Risk Movement
<p>There is a possibility to appoint a new principal selling a competitive product. The mitigation against lost revenue will need to be aligned to the likely time that the principal will be out of the market and the disruption caused by on-boarding a new principal.</p> <p>The Group's operating companies have made principals aware of the new requirements to give them adequate time to comply.</p>	

Principal Risks and Uncertainties continued

4. Management of Acquisitions (pre and post completion)

The stated strategy of the Group is to grow by a mixture of organic sales and acquisitions.

Actionable acquisition targets are not guaranteed to be delivered or be found in a set period of time. There is a need for senior management time to find acquisitions, do due diligence and run the business without strong second tier management.


Current Mitigation	Risk Movement
<p>The Executive team have developed a reliable model that can be used pre-acquisition and understand the need for synergies to be realistic and pragmatic with a suitable plan to extract benefits once the acquisition has completed.</p> <p>Management also has to carefully assess the managerial capability of any target and identify supplementary resource requirements during due diligence. Every acquisition will bring its own challenges and needs which will mean that the post-acquisition plan will be individually tailored.</p>	

5. Revenue Growth (International and Domestic)

We are targeting double-digit revenue growth.

Macro political conditions could have an impact on our market at home and overseas i.e. Covid-19, conflicts, trade wars, Brexit.

Recession in the UK could lead to NHS spending on our products being reduced.

Current Mitigation	Risk Movement
<p>Macro-economic events such as the pandemic, Brexit and major conflicts have to be managed well, using cross-company skills. It is impossible to plan for every eventuality, but early visibility and quick action to create a management group that can manage the situation has been shown to be an effective way of minimising the risk to the Group.</p> <p>Having a diversified market for our products is important as is investing in time for management to be aware of any trade issues that may arise. The ability to be agile and find alternative products and markets to focus on is a key strength of the Group.</p>	

6. Sustainability

Major customers such as the NHS are becoming increasingly vocal and demanding on the adoption of sustainability which will drive purchasing decisions.

Additionally, employees, shareholders and other stakeholders are increasingly concerned about the impact companies have on the environment. This can have a knock-on effect on employee morale, recruitment/retention and the ability to raise capital.


Current Mitigation	Risk Movement
<p>Brook Nolson, an Executive Director of the Group, has responsibility for sustainability. We are monitoring our Scope 1, 2 and 3 emissions and act as appropriate to reduce them while growing our business.</p> <p>Recent initiatives such as investment in our new facility, electric vehicles, hybrid working and compressed working week etc have reduced our environmental impact as we work towards our aim of Net Zero.</p>	

Operational and Financial

1. Dependence on Third Party Suppliers and supply chain interruption (not Principals in this instance)


The Group’s business depends on products and services provided by third parties. If there is any interruption to the supply of products/services by third parties or those products/services, for whatever reason, the Group’s business will be adversely affected.

Reasons include inter alia: scalable supply, adverse quality, delivery on time, upgrade of products etc.

Current Mitigation	Risk Movement
<p>The Chief Operating Officer is ultimately responsible for supplier management and aligns stock levels with sales forecasts to balance customer satisfaction with working capital.</p> <p>Supplier management, both commercially and from a Quality Management System perspective, is reviewed regularly (at QMS Management Review). The Executives’ planning involves looking at where to bring manufacturing in-house/on-shoring and second sourcing to ensure maintaining flow of goods.</p> <p>Recent events due to the pandemic have highlighted a need to adapt to be able to change components quickly. Diverting R&D resources to make this happen mitigates some of the risk, along with using cash to increase stock holding as components become scarce. Supply chains are expected to be variable for some time as the world recovers from the pandemic and issues arising from the Ukraine war.</p>	

2. Reliance on Key Individuals/Talent Management


The success of the Group will depend largely upon the expertise and relationships of the Board and other senior employees. The loss of any of the key individuals could have an adverse effect on the Group until such time as relationships are re-established.

Current Mitigation	Risk Movement
<p>The Group’s remuneration strategy is designed to retain and motivate the Executive team and other senior managers. The Remuneration Committee sets the remuneration, bonus and long-term incentives for the Executive team.</p> <p>The Executive team are working to reduce reliance on personal relationships in key areas and to ensure that key partners are aware of a team approach.</p> <p>Enlarged Group and strengthened management reduce the potential impact of any loss.</p>	

3. Changes in Legislation and Regulation

Global regulatory bodies continue to increase their expectations of manufacturers and distributors of medical devices to ensure products are safe and effective.


All markets in which the Group operates are highly regulated and legislation can change from time to time, which may impact the ability of the Group to sell products in a particular country.

Current Mitigation	Risk Movement
<p>The Group has stringent procedures and controls in order to comply with the relevant legal and regulatory conditions in the UK and in its export markets. The Group also has a Quality Assurance and Regulatory Affairs (“QARA”) department dedicated to liaising with the regulatory authorities to monitor any changes in conditions and ensure continuing compliance with the existing and new conditions.</p> <p>The QARA team are tasked with horizon scanning for legislation and, coupled with R&D, will keep documentation up-to-date to ensure compliance.</p>	

Principal Risks and Uncertainties continued

4. Health and Safety

The Health and Safety of all our employees, customers and partners is a priority item for the Board as we recognise that everyone has a right to work in a safe and pleasant environment, free from adverse events.

Current Mitigation	Risk Movement
<p>The Board requires Health and Safety to be discussed at the beginning of every Board meeting based on a report from an Executive responsible for Health and Safety (currently the Chief Operating Officer). Metrics are reviewed and action taken should these start to show a negative trend.</p> <p>An employee Health and Safety focus group has been established and meets on a quarterly basis to ensure all areas of the business have a voice.</p>	

5. General Commercial Contracts

The Group relies on Contracts with various customers, suppliers and advisors, including: Distribution Agreements, Non-Disclosure Agreements, Contracts of Employment, Manufacturing Agreements, Quality Agreements etc.

Current Mitigation	Risk Movement
<p>The Group tries, where possible, to always use its own template agreements that are reviewed and updated from time to time by Executives and again, where appropriate, by the Group’s legal advisors. The Group aims to ensure these templates are fair for both parties but with the aim of protecting the Group’s interest. Contracts of employment and best practice are reviewed with employment lawyers regularly to ensure that they are current.</p>	


6. Retention Group’s Certificates and other Licences

The medical industry is highly regulated and each territory in which the Group operates is subject to its own stringent legal and regulatory regime to ensure the products the Group places on the market are safe and compliant with that territory. Regulatory approvals are required to market and sell medical devices into both the UK and export markets.

Current Mitigation	Risk Movement
<p>The Group has three companies and has invested more heavily in employees as it has transitioned to Medical Device Single Audit Program and plans for MDR in Europe.</p> <p>Each company has its own locally implemented Quality Management System (“QMS”) and audits. The audits are thoroughly prepared for; however, the audits are independent and outcomes are not guaranteed. The companies have resources to undertake remedial action as appropriate. The companies are working towards harmonising their procedures to be able to utilise a single QMS which will allow for a simpler auditing process.</p>	

7. Intellectual Property Rights

The Company has intellectual property that it needs to protect. This can be in the form of new ideas, marketing specifications, market data and information relating to products.


Current Mitigation	Risk Movement
<p>The Group protects its intellectual property by using legal means (such as patents and trademarks) where appropriate or by keeping knowledge in-house (such as trade secrets). In-house information is protected through various contractual arrangements such as non-disclosure agreements with suppliers, and contracts of employment for employees.</p>	

8. IT Systems and Cyber Security

Our systems may be vulnerable to a cyber attack, theft of intellectual property, malicious intrusion, data privacy breaches or other significant disruption. We have a layered security approach in place to prevent, detect and respond, to minimise the risk and disruption of any intrusions, and to monitor our systems on an ongoing basis for current or potential threats.

In-house IT Support is supplemented by external IT experts, as and when required.

Greater dependency on cloud-based systems and therefore broadband for connectivity could leave the business vulnerable if connectivity was lost.

Current Mitigation	Risk Movement
<p>The Group has identified that the biggest threats to IT Security are (i) either accidental or deliberate removal/corruption of data by employees or contractors; and (ii) hacking into our systems by third parties.</p> <p>The Group uses data encryption and cyber security services from leading technology suppliers and all software is updated regularly. The Group will be applying for Cyber essentials to provide greater assurance to customers.</p> <p>The Audit Committee will carry out a “deep dive” review on cyber security in FY2024.</p> <p>We have implemented dual access and backup support systems, using fibre connections from two separate sources and 4G cell technology, to minimise any impact. We are also able to deploy key areas of the business to work using mobile technology in unaffected locations.</p>	

Companies Act Section 172 Statement

Our Employees

Our employees are key to the Group’s success, and we rely on a committed workforce to help us achieve our business objectives.

Key decisions in the year	How do we engage with our stakeholders
<p>Continuing our compressed working week arrangement</p> <p>The Board made the decision in the year to continue the compressed four-day working week as feedback from employees was overwhelmingly positive. This benefit has also attracted new talent to the Group by offering greater flexibility. The compressed working week continues to be available to all employees, on an “opt-in” basis.</p> <p>The Group launched several surveys during the year to obtain feedback from our employees on the compressed working week. As part of our annual Benefits Survey, which asked employees to rank Company benefits in terms of importance, the compressed working week was the most voted for benefit.</p>	<p>We engage with our employees in a number of different ways, including via our intranet platform, weekly newsletters and regular all-employee briefings.</p> <p>This year, the Group held a series of virtual Question Time seminars, giving employees the opportunity to ask questions about the business.</p> <p>The Group also operates an incentivised improvement ideas scheme to increase engagement and drive forward idea generation and sharing of good practices.</p>
<p>Improved Health and Safety protocols</p> <p>The Health and Safety of our employees continues to be a top priority for the Board and we continue to adopt a proactive approach to improving our Health and Safety procedures.</p> <p>We are pleased to report that our new Environmental, Health & Safety (“EHS”) software platform has been successfully implemented across the group. The EcoOnline EHS platform provides streamlined reporting of safety observations and management of risk assessments, safety audits and corrective actions. The platform has been integrated with the existing STAR (Stop, Think, Act, Report) initiative to allow continuity of the safety reporting process and sustain employee engagement.</p> <p>By recording the source of hazard observations, we can measure employee engagement as a KPI to monitor the effectiveness of our Health and Safety initiative, STAR. Since the introduction of STAR, employee engagement in the reporting of safety observations has increased.</p> <p>Following our decision to introduce a requirement to meet the Institute of Advanced Motorists tests in 2022, we require all employees who regularly drive for business to complete the course.</p> <p>Our goal in FY2024 is the certification of our Environmental and Health and Safety Management systems to ISO 14001 & 45001 respectively. Certification audits, to be conducted by BSI, are scheduled for Q3 and Q4.</p>	<p>For more information on how the Group engages with its employees, refer to our Statement of Corporate Governance – QCA Principle 3A on page 44.</p>
<p>Closing our Head Office in Crawley</p> <p>The Board made the decision in the year to close our Head Office in Crawley to consolidate our properties and to bring our teams together at our new Manufacturing and Technology Centre in Croydon.</p> <p>Individual consultations were conducted with those affected by the decision to close our Crawley premises. The Group has also offered greater flexible working options to those affected and we are pleased to report no leavers as a result of the closure.</p>	

Our Customers

Successful engagement with our customers is paramount to meeting our strategic objectives and growing our business.

Key decisions in the year	How we engage with our stakeholders
<p>Increased in-person customer visits to our new facilities</p> <p>During the year, we have hosted several international customer visits, as well as NHS Trusts, at our new facilities, which have given us the opportunity to demonstrate the full suite of our products and services and helped us to secure new customer relationships.</p>	<p>Our sales teams and senior management engage with our customers through regular meetings and through participation in local events and exhibitions. Throughout the year we held online and in-person conferences and have hosted several visits to our new Manufacturing and Technology Centre in Croydon.</p>
<p>Resource committed to the new EU Medical Device Regulation ("MDR")</p> <p>The Board made the decision to invest significant Research and Development resources to the new EU MDR and we are pleased to report that all technical files were submitted ahead of time, all sites have been audited by British Standards Institution and all audits were passed, leaving us in a strong position to move forward with the new Regulation.</p>	<p>We also continue to engage with our customers through a variety of channels, including our websites, social media platforms, virtual sales and training meetings and through email engagement such as customer feedback surveys.</p>

Our Suppliers

Managing our supply chain and engaging effectively with our suppliers is critical to the smooth running of our operations. Through continued engagement with our suppliers, we have built positive, long-lasting partnerships.

Key decisions in the year	How we engage with our stakeholders
<p>Appointment of new Head of Procurement and Supply Chain</p> <p>In light of the current economic environment and the uncertainties surrounding procurement, the Board made the decision to appoint a new Head of Procurement and Supply Chain, Francesca Stenhouse. Francesca comes with more than 10 years of supply chain experience and leadership in the manufacturing industry.</p>	<p>As part of our continued commitment to our supplier relationships, the Group holds monthly critical supply chain meetings, with a minimum of two face-to-face meetings taking place a year.</p> <p>These monthly supplier meetings and site visits with our key suppliers, enable us to develop stronger relationships with our suppliers, to optimise the Group's buying strength as an amalgamated group and to ensure our procurement process is operating in the most efficient manner possible</p>

Companies Act Section 172 Statement continued

Investors

The Group understands the importance of communicating regularly with its investors. Building long-term relationships with all our shareholders is critical to the future growth of the business.

Key decisions in the year	How we engage with our stakeholders
<p>Approval of interim dividend</p> <p>An interim dividend was paid in December 2022 and a final dividend has been recommended.</p> <p>For more information on the total dividend for the year, refer to the Directors’ Report on pages 54 to 57.</p>	<p>The Group regularly communicates with its shareholders, through investor presentations, roadshows, retail shareholder events and Regulatory News Service (“RNS”) announcements.</p> <p>We have invited a number of investors to our Croydon site over the year, which gave investors and stockbrokers the opportunity to see the new facility.</p> <p>For further information on how the company engages with its investors, refer to our Statement of Corporate Governance – QCA Principle 2 on page 43.</p>