

21 September 2022

**Surgical Innovations Group plc**  
("SI", the "Group" or "the Company")

**Half-year Report**  
***Interim results for the six-months ended 30 June 2022***

Surgical Innovations Group plc (AIM: SUN), the designer, manufacturer and distributor of innovative medical technology for minimally invasive surgery, reports its unaudited financial results for the six-month period ended 30 June 2022 ("2022 H1") and provides an update on current trading and the outlook for the Group's business.

**Commercial and operational highlights:**

- Geographical expansion and sustainability programmes providing further opportunities for growth
- Investment in Sales & Marketing, with a focus of driving forward new initiatives in key markets
- Strategies to address the challenges of retaining and attracting key personnel are having a positive impact
- Further investment in key processes and people to ensure that the Company remains on track for Medical Device Regulations (MDR)
- Capex on equipment to build and enhance manufacturing capabilities and efficiencies
- Maintaining higher than normal levels of inventory and dual sourcing of materials and parts to mitigate supply chain disruptions

**Financial highlights<sup>1</sup>:**

- Revenues increased 28% on prior year to £5.41m and amounted to 106% of the comparable pre-pandemic period in 2019 (H1 2021: £4.22m, 2019 H1: £5.10m<sup>1</sup>)
- Strong sales in the UK & APAC (excluding OEM) region, particularly Japan, providing significant growth in H1, up 39% on prior year (2022 H1: £3.17 m, 2021 H1: £2.28m, 2019 H1: £2.42m) and providing a good foundation for growth
- Commercial gross margins improving at 45.3% compared to 2021 H1 despite inflationary pressures (2021 H1: 42.36%; 2019 H1: 44.5%<sup>1</sup>)
- Adjusted EBITDA<sup>2</sup> profit of £0.29m (2021 H1: £0.21m; 2019 H1: £0.65m<sup>1</sup>)
- Small adjusted operating loss<sup>2</sup> of £0.01m (2021 H1: £0.15m loss; 2019 H1: £0.22m profit<sup>1</sup>)
- Adjusted EPS amounted to a loss<sup>2</sup> of 0.004p per share (2021 H1: loss of 0.004p; 2019 H1: earnings of 0.023p per share<sup>1</sup>)
- Cash generated from operations at £0.22m (full year 2021: £0.53m cash used)
- Net cash<sup>3</sup> at end of period of £1.53m (as at 31 Dec 2021: £1.76m)

<sup>1</sup> Comparative information is shown for the six months ended 30 June 2021, except where otherwise stated. Further comparative information for the six months ended 30 June 2019 has been included to provide a comparison with pre-pandemic trading.

<sup>2</sup> Adjusted EBITDA, adjusted operating (loss)/ profit and adjusted EPS are stated before deducting non-recurring exceptional costs of £0.03m (2021 H1: nil, 2019 H1: £0.1m), amortisation and impairment of intangible acquisition costs of £nil (2021 H1: nil, 2019 H1: £0.18m) and share based payment costs of £0.02m (2021 H1 £0.01m, 2019 H1: £0.10m).

<sup>3</sup> Net cash equals cash less bank debt and HP leases only.

**Current Trading and Outlook**

- Revenues have exceeded management expectations in the UK and are largely recovering towards pre-pandemic levels in most markets
- Group revenues for the first two months of the second half are approximately 113% above the level seen in the comparable period last year, and 116% ahead of that seen for the same period in 2019 (pre-pandemic), with an increased level of backorders at £0.7m
- The Group continues to trade profitably at the level of adjusted EBITDA, notwithstanding an increasing overhead base
- Further opportunity in UK hospitals is expected as the well-documented increasing backlogs begin to be addressed – sales backlog, forward order book and new conversions are expected to provide growth and further underpin sustainability strategy

- Growth in new markets, along with new collaborative partnerships, are anticipated for the remainder of 2022 and beyond
- Strong sales in the UK and Japan provide a good foundation for growth
- Planned investment in new product development, facilitating key product launches in the second half of the current financial year

**Chairman of SI, Nigel Rogers, said:**

*“Revenues in the period to 31 August 2022 have continued to grow and strengthen, significantly increasing by approximately 113% above the level achieved in the prior year, and around 116% ahead of the corresponding pre-pandemic period of 2019, despite being suppressed by a large sales backorder of £0.7m which is to be shipped in the second half of the year. Production activity has been challenging with extended supply chain lead times and a reduction of skilled labour, but investment in capital expenditure and people should increase the capacity and improve efficiency in the second half of the year. The increasing overhead base has put pressure on the business, but the Group remains profitable at adjusted EBITDA, and this will continue to improve with further growth opportunities.*

*“The momentum in UK and Japan is indicative of the successful investment in Sales and Marketing which has been driving our sustainability initiatives. With further growth opportunities in the second half of the year as major markets continue to recover, and the launch of new products into new and existing key markets, the prospects are certainly encouraging.”*

**For further information please contact:**

**Surgical Innovations Group Plc**

David Marsh, CEO

Charmaine Day, CFO

[www.sigrouplc.com](http://www.sigrouplc.com)

Tel: +44 (0)113 230 7597

**Walbrook PR**

**(Financial PR & Investor Relations)**

Paul McManus / Lianne Applegarth

Tel: +44 (0)20 7933 8780 or [si@walbrookpr.com](mailto:si@walbrookpr.com)

Mob: +44 (0)7980 541 893 / +44 (0)7584 391 303

**Singer Capital Markets**

**(Nominated adviser & Broker)**

Aubrey Powell / Rachel Hayes

+44 (0)20 7496 3000

## **About Surgical Innovations Group plc**

### ***Strategy***

The Group specialises in the design, manufacture, sale and distribution of innovative, high quality medical products, primarily for use in minimally invasive surgery. Our product and business development is guided and supported by a key group of nationally and internationally renowned surgeons across the spectrum of minimally invasive surgical activity.

We design and manufacture and source our branded port access systems, surgical instruments and retraction devices which are sold directly in the UK home market through our subsidiary, Elemental Healthcare, and exported widely through a global network of trusted distribution partners. Many of our products in this field are based on a "responsible" concept, in which the products are part reusable, part disposable, offering a high quality and environmentally responsible solution at a cost that is competitive against fully disposable alternatives.

Elemental also has exclusive UK distribution for a select group of specialist products employed in laparoscopy, bariatric and metabolic surgery, hernia repair and breast reconstruction. In addition, we design and develop medical devices for carefully selected OEM partners. We have a number of long-term relationships with key partner including the design, development and manufacture of the FIX8 device for AMS and more recently for a new collaboration with a Robotic company, CMR Surgical ('CMR') to design and develop and access device for their unique instrumentation. We have in the past worked with and continue to maintain a relationship with a major industrial partner to provide precision engineering solutions to complex problems outside the medical arena.

We aim for our brands to be recognised and respected by healthcare professionals in all major geographical markets in which we operate and provide by development, partnership or acquisition a broad portfolio of cost effective, procedure specific surgical instruments and implantable devices that offer reliable solutions to genuine clinical needs in the operating theatre environment.

### ***Operations***

The Group currently employs approximately 100 people across one site in the UK. Elemental Healthcare was acquired by the Group on 1 August 2017 and provides direct sales representation in the UK home market and a range of third-party products for UK distribution. Elemental was originally based in Berkshire and was successfully relocated in 2021, so all operations are now located at the Leeds site.

### ***Further information***

Further details of the Group's businesses are available on websites:

[www.sigroupplc.com](http://www.sigroupplc.com)

[www.surginno.com](http://www.surginno.com), and

[www.elementalhealthcare.co.uk](http://www.elementalhealthcare.co.uk)

Investors and others can register to receive regular updates by email at [si@walbrookpr.com](mailto:si@walbrookpr.com)

## Surgical Innovations Group plc Chairman's Statement

*For the six-month period ended 30 June 2022*

### Financial Overview

Trading in the first half of the year increased 28% to £5.41m on the comparable period last year (2021 H1: £4.22m) and more encouragingly, revenue growth exceeded pre-pandemic levels, with Group revenues at 106% of the comparable pre-Covid period (2019 H1: £5.10m).

Demand in the UK market continues to be strong: SI branded products were £0.68m (2021 H1: £0.58m, 2019 H1: £0.75m), and UK distribution sales were £2.01m (2021 H1: £1.30m, 2019 H1: £1.49m), up a combined 43% on the prior corresponding period and achieving robust growth of 120% against the pre-Covid comparable in 2019. The impetus on the sustainability advantages of our Resposable™ product ranges is driving business wins. This range is well-placed for further growth as the NHS focus on the implementation of its 'Net Zero' commitment on sustainability and implement measures to address the increasing backlog of patients on waiting lists.

First half revenues in Europe were 2% above the level achieved last year at £0.59m (2021 H1: £0.57m) and around 91% of pre-Covid levels (2019 H1: £0.65m). While some countries have been slower to recover, with focus and investment in Sales and Marketing and an emphasis on the SI product range, we are seeing underlying sales growth rates in other countries which are exceeding internal expectations. New product launches during Q4 in key countries will provide opportunity for further growth.

Revenues from the US for SI branded products in the first half decreased to £0.59m (2021 H1: £0.75m, 2019 H1: £0.77m), this in part due to substantial stocking orders in the first quarter of 2021. Restricted hospital access affected evaluations at the beginning of the year, increasing activity is being seen in H2 and expected to continue at a level in line with expectations for the year. Further investment into the appointment of the international heads has provided emphasis on supporting the dealer network, and in conjunction with new product launches, further sales training and marketing material will be rolled out across the network in the second half of this year.

The APAC region continues to generate strong revenue growth to £0.48m, a 19% increase on the comparable period (2021 H1: £0.41m) and surpassing levels seen in the first half of 2019 (2019 H1: £0.17m). We continue to work closely with our Japanese distributor as they gain market share. The focus on sustainability continues to gain traction here also, initial stocking orders have been placed for launching the Logic reusable instrument range which are expected to be shipped in the final quarter of 2022.

OEM revenues for the first half more than doubled to £0.92m (2021 H1: £0.45m), nearly recovering to pre-Covid levels (2019 H1: £1.01m). This reflects the general recovery trend experienced by our long-standing key OEM partners in the medical sector, but also the supply chain challenges faced in the first half of the year which have started to improve in Q3. New collaborations with CMR Surgical have been successful; the initial stocking order for YelloPort Elite™ was launched in the second quarter of this year and we expect momentum to continue in the second half with a strong orderbook from our partners AMS, CMR and Becton Dickinson/ Carefusion.

Commercial or underlying margins remained within target range at 45.3%, with inflationary pressures from material suppliers mitigated and passed on where possible. However, the reported gross margin of 34.6% (2021: H1 33.9%, 2019: H1 43.1%), which includes the net cost of manufacturing, reflects the increased inflationary challenges on labour costs. In addition, and as a consequence of the shortage of skilled labour and extended supply chain lead times, manufacturing productivity reduced and costs were under-recovered. To mitigate this partially, inventory levels have been maintained at higher levels; as at 30 June 2022 £3.04m (31 Dec 2021: £2.97m).

Other operating expenses increased to £1.93m (2021 H1: £1.62m), due to investment in Sales and Marketing and Regulatory functions, combined with increased employee remuneration as a result of inflationary pressures. Excluding the effects of exceptional items and share based payments, operating expenses increased by £0.28m to £1.88m (2021 H1: 1.60m). Despite these increases, the Group is trading at an adjusted EBITDA profit for the period of £0.29m (2021 H1: £0.21m). The full effect of these additional costs will impact the second half of the year but the Group will continue to be profitable at the adjusted EBITDA level.

Adjusted operating loss before tax for the period (before exceptional items, acquisition related costs and share based payment charges) was close to breakeven at £0.01m (2021 H1: loss of £0.15m, 2019 H1: profit of £0.22m). The reported net loss before taxation amounted to £0.11m against a net loss before taxation of £0.22m in the first half last year.

The Group reported a tax credit in the period of £0.09m (2021 H1: credit of £0.13m) which related to an enhanced research and development (“R&D”) claim for 2020. We anticipate submitting the claim for 2021 before the end of this year. In terms of deferred tax, the Group continues to hold substantial corporation tax losses on which management takes a cautious view, and consequently, the Group does not recognise a corresponding deferred tax asset.

Adjusted net earnings per share amounted to 0.004p (2021 H1: £0.004p, 2019 H1: loss of earnings 0.023p). The net total comprehensive income for the period amounted to a loss of £0.01m (2021 H1: loss of £0.09m, 2019 H1: loss of £0.30m).

In March 2022, the Group refinanced its borrowing facilities, and as a result, the £1.5m Coronavirus Business Interruption scheme (CBILS) loan was extended to be repayable in May 2026. In addition, to replace the existing loan and RCF facility, an invoice discounting facility of £1.0m was agreed. This facility provides headroom for the Group and remains undrawn to date.

For the first half of 2022, cash generated from operations was £0.22m (full year 2021: £0.53m used, 2021 H1: £0.17m used). After continued investment into R&D of £0.17m (full year 2021: £0.45m, 2021 H1: £0.18m), capital expenditure of £0.34m (full year 2021: £0.21m, 2021 H1: £0.17m) and the refinancing of the existing bank loan, the Company had available cash balances including the unused invoice discounting facility of £1.0m totalling £4.04m (31 Dec 2021 £4.04m). Financial covenants have been complied with in full and continue to be tested on a quarterly basis. The Board is satisfied that the current financial position and borrowing arrangement provide ample headroom to support the business.

## **Market overview and new product development opportunities**

Strong substantial sales growth is evident in the UK, underpinned by our sustainability and commercial advantages relative to single use plastics, which have resulted in multiple hospital trials and conversions. In one case study for a UK NHS Trust, we have mapped a four-month break-even point for the Trust, with an 85% reduction in plastic waste and 6.4 tonnes of carbon dioxide emissions saved. Despite this, the UK NHS is suffering from a gap in its workforce which is impacting the substantial and ever-growing backlog of elective surgery, diagnosis and treatment across a broad range of procedures. The UK Government and its agencies are taking steps to streamline processes and provide additional funding to deal with this issue, including using private hospitals for capacity as one of the solutions. In addition, record NHS waiting times appear to be increasing the number of people paying for private care. As part of the investment into Sales and Marketing, we have restructured our resource and now have an experienced and dedicated sales head to support this area of activity and take advantage of the pent-up demand.

Globally, markets are still recovering from Covid at different rates. In the US and EU specifically, restrictions have impacted hospital activity levels in Q1 and evaluations have been pushed back as hospital access was limited. However, sales activity continues, and recovery levels are getting closer to those seen in the pre pandemic period of 2019. The Group’s investment in Sales and Marketing is driving our sustainability messaging initiatives and traction continues. Having a dedicated resource to focus more on training and supporting key distributors is expected to drive future growth, with training of the US network being rolled out in H2.

Over the past 18 months, one of our key focuses has been on new product development, and we are delighted to fully launch in the US and key EU markets in H2 with the YelloPort™ Elite 5mm (‘access device’) and the Optical Trocar. In the US, these products will see a full launch in Q4 through the Microline sales team. Adding enhanced sustainable products to the range in H2 2023 will further bolster the range and growth potential in these markets.

In Germany, where there is a significant installed base of CMR customers, we have been developing a partnership with a specialist distribution company and anticipate initial evaluations this autumn.

In the APAC region, specifically Japan, the market continues to show strong and significant growth, and this is set to continue as we extend the sustainable product portfolio and launch the Logic reusable instrumentation line, along with the YelloPort™ Elite 5mm and Optical Trocar, towards the end of the year.

Underlying revenues in the OEM segment, with which we have long standing relationships, continue to be somewhat suppressed, not by demand, but due to supply chain constraints. These issues have hindered sales in the first half of the year, but have improved in Q3. New collaborations with CMR Surgical (CMR) continue to strengthen and grow, with their first significant order placed in Q2. Further substantial orders have been placed for the second half of the year which give us opportunities to expand into new markets. For example we are building a new partnership in India, leveraging the CMR relationship, and expect to complete product registration and training in Q4. The momentum with the CMR partnership is set to continue throughout the remainder of the year and beyond. In addition, the Group intends to leverage its instrument expertise and exploit opportunities within robotics so we can extend the product range offered.

### **Operational and Regulatory activities**

This year has brought challenges in retaining key skilled manufacturing personnel, with employee turnover at its highest level for a number of years, combined with the well publicised challenges of attracting new staff. To address these issues, the Company has introduced a number of initiatives with the implementation of a four-day working week trial, which started at the beginning of August, being the most significant. The trial is supported by the UK pilot programme and has been carefully managed to ensure five-day continuity of service and support. The scheme is set to benefit from improved productivity levels from improved employee wellbeing. Efficiency initiatives are also being rolled out to ensure that the trial remains operationally effective. In addition, financial packages were increased to be comparable with market rates which have been exacerbated by the current inflationary pressures. Since the trial has started, there have been successful hires and employee turnover has lowered.

Supply chain disruptions continue; lead times on materials and parts needed for new machinery have been lengthier than historical norms. As a consequence, this has impacted manufacturing efficiencies and delayed sales orders. At the end of August, backorders remained high, however, the management team is working hard to mitigate the risks where possible and, in some cases, have dual sourced suppliers to maintain supply. Inventory holdings will also remain at higher levels in the short term to alleviate the pressure. Recently hired skilled labour should improve the capacity and efficiencies over the coming months, and combined with investment made into new plant and machinery soon to be fully operational, will bring some of the manufacturing processes back in house and provide additional capacity. The improvements made will certainly provide the capabilities to deal with the pent-up demand and future growth opportunities of the business.

The regulatory pathway continues to be on track with the EU Medical Device Regulation (MDR), and additional resource has been brought in to support the process over the coming months. In August, the Company successfully completed a quality management system (QMS) audit. The completion of the MDR QMS audit is significant achievement towards attaining certification in March 2023. In April, the Company received Medical Device Single Audit Programme (MDSAP) recertification, maintaining access to the key strategic markets of Canada, USA, Japan and Australia for a further three years. As previously reported, there is a significant cost burden associated with the evolving regulatory requirements which, whilst challenging, represents an increasing barrier to entry. Some competitors may not be able to attain the new standards, thus providing more opportunities to capitalise on our market share.

### **Current trading and outlook**

Revenues in the two-month period to 31 August 2022 have continued to grow and strengthen, significantly increasing by approximately 113% above the level achieved in the comparable period last year. The recent two months' performance is also around 116% ahead of the corresponding pre-pandemic period of 2019, despite being suppressed by a large sales backorder of £0.7m which is to be shipped in the second half of the year. Production activity has continued to be challenging with increased supply chain lead times and a reduction in the availability of skilled labour, but investment in capital expenditure and people should increase capacity and improve efficiency over the course of the second half. The increasing overhead base has put pressure on the business, but the Group remains profitable at the adjusted EBITDA level, and this will continue to improve with growth opportunities.

The momentum in UK and Japan is indicative of the successful investment in Sales and Marketing which has been key to driving our sustainability initiatives. Further growth opportunities persist in the second half of the year, as major markets continue to recover and with the launch of new products into new and existing markets, providing encouraging prospects for the Group.

**Nigel Rogers**

***Chairman***

**21 September 2022**

**Unaudited consolidated income statement  
for the six months ended 30 June 2022**

	Notes	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited Year ended 31 December 2021 £'000
<b>Revenue</b>	3	<b>5,413</b>	4,218	9,126
Cost of sales		<b>(3,540)</b>	(2,788)	(5,995)
<b>Gross profit</b>	2	<b>1,873</b>	1,430	3,131
Other operating expenses		<b>(1,933)</b>	(1,615)	(3,611)
Other income		-	25	25
<b>Adjusted EBITDA profit *</b>		<b>287</b>	206	500
Amortisation of intangible assets		<b>(129)</b>	(117)	(257)
Impairment of intangible assets		-	-	(145)
Depreciation of tangible assets		<b>(164)</b>	(234)	(445)
Exceptional items		<b>(32)</b>	-	(78)
Share based payments		<b>(22)</b>	(15)	(30)
<b>Operating loss</b>		<b>(60)</b>	(160)	(455)
Finance costs	4	<b>(51)</b>	(63)	(130)
Finance income		-	-	-
<b>Loss before taxation</b>		<b>(111)</b>	(223)	(585)
Taxation credit/(charge)	5	<b>97</b>	129	129
<b>Loss and total comprehensive income</b>		<b>(14)</b>	(94)	(456)
<b>Earnings per share</b>				
Basic	6	<b>(0.002p)</b>	(0.010p)	(0.049p)
Diluted	6	<b>(0.002p)</b>	(0.010p)	(0.049p)

\* Adjusted EBITDA is earnings before interest, depreciation, amortisation (including impairment) and exceptional items.



**Unaudited consolidated statement of changes in equity  
for the six months ended 30 June 2022**

Notes	Share capital £'000	Share premium £'000	Capital reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2022	9,328	6,587	329	1,250	(6,830)	10,664
<i>Employee share-based payment charge</i>	-	-	-	-	22	22
Total - Transaction with owners	9,328	6,587	329	1,250	(6,808)	10,686
Loss and total comprehensive income for the period	-	-	-	-	(14)	(14)
<b>Unaudited balance as at 30 June 2022</b>	<b>9,328</b>	<b>6,587</b>	<b>329</b>	<b>1,250</b>	<b>(6,822)</b>	<b>10,662</b>

**Unaudited consolidated balance sheet  
as at 30 June 2022**

		Unaudited 30 June 2022 £'000	Unaudited 30 June 2021 £'000	Audited 31 December 2021 £'000
	Notes			
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		623	336	366
Right of Use Assets		795	920	832
Intangible assets		6,255	6,234	6,216
		<b>7,673</b>	<b>7,490</b>	<b>7,414</b>
<b>Current assets</b>				
Inventories		3,040	2,362	2,965
Trade and other receivables	9	2,054	1,529	1,695
Cash at bank and in hand		3,040	4,692	3,644
		<b>8,134</b>	<b>8,583</b>	<b>8,304</b>
<b>Total assets</b>		<b>15,807</b>	<b>16,073</b>	<b>15,718</b>
<b>Equity and liabilities</b>				
<b>Equity attributable to equity holders of the parent company</b>				
Share capital		9,328	9,328	9,328
Share premium account		6,587	6,587	6,587
Capital reserve		329	329	329
Merger reserve		1,250	1,250	1,250
Retained earnings		(6,822)	(6,483)	(6,830)
<b>Total equity</b>		<b>10,662</b>	<b>11,011</b>	<b>10,664</b>
<b>Non-current liabilities</b>				
Dilapidation provision		165	165	165
Right of Use lease liability		705	833	750
Borrowings	8	1,117	-	-
		<b>1,987</b>	<b>998</b>	<b>915</b>
<b>Current liabilities</b>				
Trade and other payables	9	1,945	1,456	1,614
Accruals		653	423	488
Right of Use lease liability		167	156	157
Borrowings	8	393	2,029	1,880
		<b>3,158</b>	<b>4,064</b>	<b>4,139</b>
<b>Total liabilities</b>		<b>5,145</b>	<b>5,062</b>	<b>5,054</b>
<b>Total equity and liabilities</b>		<b>15,807</b>	<b>16,073</b>	<b>15,718</b>

## Unaudited consolidated cash flow statement for the six months ended 30 June 2022

		Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
<b>Cash flows from operating activities</b>				
Loss after tax for the year		(14)	(94)	(456)
Adjustments for:				
Taxation		(97)	(129)	(129)
Finance Income		-	-	(-)
Finance Costs	4	51	63	130
Other Income-CBILS interest grant		-	(23)	(23)
Depreciation of property, plant and equipment		80	134	258
Amortisation and impairment of intangible assets		129	117	402
Depreciation of right of use assets		84	99	187
Share-based payment charge		22	15	30
Foreign Exchange (loss)/gain		(87)	22	12
Increase in inventories		(75)	(196)	(802)
Increase in current receivables		(360)	(246)	(412)
Increase in trade and other payables		487	64	276
<b>Cash generated / (used) from operations</b>		<b>220</b>	<b>(174)</b>	<b>(527)</b>
Taxation received	5	97	129	129
Interest received		-	-	-
Interest paid		(32)	(10)	(35)
<b>Net cash generated / (used) from operating activities</b>		<b>285</b>	<b>(55)</b>	<b>(433)</b>
Payments to acquire property, plant and equipment		(337)	(58)	(212)
Acquisition of intangible assets		(168)	(178)	(445)
<b>Net cash used in investment activities</b>		<b>(505)</b>	<b>(236)</b>	<b>(657)</b>
Repayment of bank loan	8	(493)	(150)	(300)
HP leases	8	131	-	-

Payments to Right of Use lease liabilities	7	(109)	(123)	(232)
<b>Net cash (used)/generated in financing activities</b>		<b>(471)</b>	(273)	(532)
<hr/>				
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(691)</b>	(564)	(1,622)
Cash and cash equivalents at beginning of period		<b>3,644</b>	5,278	5,278
Effective exchange rate fluctuations on cash held		<b>87</b>	(22)	(12)
<b>Net cash and cash equivalents at end of period</b>		<b>3,040</b>	4,692	3,644

Analysis of net borrowings:

Cash at bank and in hand		<b>3,040</b>	4,692	3,644
Bank loan	8	-	(529)	(380)
CBILS	8	<b>(1,383)</b>	(1,500)	(1,500)
Obligations under HP leases		<b>(127)</b>	-	-
Obligations under right of use lease liabilities		<b>(872)</b>	(989)	(907)
<b>Net Cash/(debt) at end of period</b>		<b>658</b>	1,674	857

## Notes to the Interim Financial Information

### 1. Basis of preparation of interim financial information

The interim financial information was approved by the Board of Directors on 21 September 2022. The financial information set out in the interim report is unaudited.

The interim financial information has been prepared in accordance with the AIM Rules for Companies and on a basis consistent with the accounting policies and methods of computation as published by the Group in its annual report for the year ended 31 December 2021, which is available on the Group's website.

The Group has chosen not to adopt IAS 34 Interim Financial Statements in preparing these interim financial statements and therefore the interim financial information is not in full compliance with International Financial Reporting Standards as adopted for use in the European Union.

The financial information set out in this interim report does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The figures for the year ended 31 December 2021 have been extracted from the statutory financial statements which have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under sections 498(2) and 498(3) of the Companies Act 2006.

### Going concern and funding

The Directors have considered the available cash resources of the Group, with the additional secured funding in March 2022 and the current internal anticipated forecasts the Directors have a reasonable expectation that the Group have adequate resources. The Group is expected to continue to generate cash from operations over the next 12 months as inventory levels reduce and operational efficiencies improve, therefore providing ample support and continue in operational existence for the foreseeable future, considered to be at least 12 months for the date of approval from the financial statements.

### 2. Disaggregation of gross margin

The Group has disaggregated margins in the following table:

	Six months ending 30 June 2022 (unaudited)	Six months ending 30 June 2021 (unaudited)	12 months ending 31 Dec 2021 (audited)
	£'000	£'000	£'000
<b>Revenue</b>	<b>5,413</b>	4,218	9,126
Cost of Sales	(2,959)	(2,431)	(5,268)
Underlying Gross Margin	2,454	1,787	3,858
<b>Underlying Gross Margin %</b>	<b>45.34%</b>	<b>42.36%</b>	<b>42.28%</b>
Net Cost of Manufacturing	(581)	(357)	(727)
Contribution Margin	1,873	1,430	3,131
<b>Contribution Margin %</b>	<b>34.60%</b>	<b>33.90%</b>	<b>34.31%</b>

Underlying gross margin (excluding net costs of manufacturing) is an adjusted KPI measure. Nets costs of Manufacturing are overheads that have not been effectively absorbed due to reduced productivity.

Adjusted KPIs are used by the Board to understand underlying performance and exclude items which distort comparability. The method of adjustments are consistently applied but 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.

### 3. Disaggregation of revenue

The Group has disaggregated revenues in the following table:

	SI Brand	Distribution	OEM	Total
Six months ended 30 June 2022 (unaudited)	£'000	£'000	£'000	£'000
United Kingdom	679	2,006	676	3,361
Europe	587	-	-	587
US	596	-	240	836
APAC	484	-	-	484
Rest of World	145	-	-	145
	<b>2,491</b>	<b>2,006</b>	<b>916</b>	<b>5,413</b>

	SI Brand	Distribution	OEM	Total
Six months ended 30 June 2021 (unaudited)	£'000	£'000	£'000	£'000
United Kingdom	582	1,295	408	2,285
Europe	574	-	-	574
US	750	-	37	787
APAC	406	-	-	406
Rest of World	166	-	-	166
	<b>2,478</b>	<b>1,295</b>	<b>445</b>	<b>4,218</b>

	SI Brand	Distribution	OEM	Total
Year ended 31 December 2021 (audited)	£'000	£'000	£'000	£'000
United Kingdom	1,306	3,116	1,008	5,430
Europe	1,075	-	-	1,075
US	1,333	-	189	1,522
APAC	743	-	-	743
Rest of World	356	-	-	356
	<b>4,813</b>	<b>3,116</b>	<b>1,197</b>	<b>9,126</b>

Revenues are allocated geographically on the basis of where revenues were received from and not from the ultimate final destination of use.

#### 4. Finance Costs

Finance costs:	Six month ended 30 June 2022	Six month ended 30 June 2021	12 months ended 31 Dec 2021
	£'000	£'000	£'000
On bank borrowings	24	33	74
On right-of-use assets	26	30	56
On HP leases	2	-	-
	51	63	130

#### 5. Tax

##### Current taxation

During 2021 the Group submitted an enhanced Research and development claim in respect of 2020 amounting to £0.97m this was paid in the current year.

##### Deferred taxation

Overall, the Group continues to hold substantial tax losses on which it holds a cautious view and consequently the Group has chosen not to recognise those losses fully.

#### 6. Earnings per share

	Unaudited	Unaudited	Audited
	six months	six months	year
	ended	ended	ended
	30 June	30 June	31 December
	2022	2021	2021
<b>Earnings per share</b>			
Basic	(0.002p)	(0.010p)	(0.049p)
Diluted	(0.002p)	(0.010p)	(0.049p)
Adjusted	0.004p	0.004p	(0.022p)

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares in issue. Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the diluted weighted average number of shares in issue. Adjusted Earnings per share is calculated by dividing the adjusted earnings attributable to ordinary shareholders (profit before exceptional and amortisation and impairment costs relating to the acquisition of Elemental Healthcare and share based payments) by the weighted average number of shares in issue.

The anti-dilutive effect of unexercised shares options has not been taken into account and therefore the diluted earnings per share is equal to the basic earnings per share.

The Group has one category of dilutive potential ordinary shares being share options issued to Directors and employees. The impact of dilutive potential ordinary shares on the calculation of weighted average number of shares is set out below.

	<b>Unaudited</b>	Unaudited	Audited
	<b>six months</b>	<b>six months</b>	year
	<b>ended</b>	<b>ended</b>	ended
	<b>30 June</b>	<b>30 June</b>	31 December
	<b>2022</b>	<b>2021</b>	2021
	<b>'000s</b>	<b>'000s</b>	'000s
Basic earnings per share	<b>932,816</b>	931,573	936,564
Dilutive effect of unexercised share options	<b>5,049</b>	1,243	2,220
Diluted earnings per share	<b>937,865</b>	932,816	938,784

## 7. IFRS16

### Impact on the statement of financial position

	<b>30 June 2022</b>		30 June 2021		31 December 2021	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000	£'000	£'000
Right of use assets and lease liabilities	795	872	920	989	833	907
Of which are:						
Current lease liabilities		167		156		157
Non-Current lease liabilities		705		833		750
Impact on Equity		(77)		(69)		(74)
Total impact on statement of financial position	795	795	920	920	833	833



## 8. Net borrowings

At amortised cost	Six month ended 30 June 2022	Six month ended 30 June 2021	months ended 31 Dec 2021
	£'000	£'000	£'000
Cash & cash equivalents	3,040	4,692	3,644
Bank borrowings-Current	(352)	(2,029)	(1,880)
Bank borrowings-Non-current	(1,031)	-	-
Obligations under HP leases-Current	(41)	-	-
Obligations under HP leases-Non-Current	(86)	-	-
<b>Adjusted Net Cash</b>	<b>1,530</b>	2,663	1,764
Right of Use Lease liabilities-Current	(167)	(156)	(157)
Right of Use Lease liabilities Non-current	(705)	(833)	(750)
<b>Net Cash</b>	<b>658</b>	1,674	857

In March 2022, the Group refinanced the existing debt with Yorkshire bank consisting of the following:

- Extension to the CBILS of £1.5m repayable in May 2026, Interest rate of 2.94% repayable monthly. Monthly installments are £0.029m.
- Covenants attached to the CBILS comprise of EBITDA to debt servicing costs minimum 1.25x. First test 30 June 2022 (last 6 months), then September 22 (9 months), then rolling 12m afterwards.
- Additional headroom with an Invoice Discounting facility £1.0m across the Group, to replace loan A and the RCF, 2.5% on margin with a maximum of nominal administration fee of a maximum of £0.018m if not utilised. As at the date of this announcement this facility remains undrawn.

## 9. Financial Instruments

The financial assets of the Group are categorised as follows:

At amortised cost	Six month ended 30 June 2022	Six month ended 30 June 2021	12 months ended 31 Dec 2021
	£'000	£'000	£'000
Trade receivables	1,681	1,200	1,395
Cash and cash equivalents	3,040	4,692	3,644
	<b>4,721</b>	5,892	5,039

The financial liabilities of the Group are categorised as follows:

<b>At amortised cost</b>	<b>Six month ended 30 June 2022</b>	Six month ended 30 June 2021	12 months ended 31 Dec 2021
	<b>£'000</b>	£'000	£'000
Trade payables	<b>1,427</b>	1,000	1,090
Other payables	<b>280</b>	321	294
Deferred creditors	-	20	-
Lease liabilities - Current	<b>167</b>	156	157
Lease liabilities - Non-current	<b>705</b>	833	750
Bank borrowings - Current	<b>352</b>	2,029	1,880
Bank borrowings – Non-current	<b>1,032</b>	-	-
Obligations under finance leases-current	<b>41</b>	-	-
Obligations under finance leases--Non-current	<b>86</b>	-	-
	<b>4,090</b>	4,359	4,171

<b>Trade and other payables</b>	<b>Six month ended 30 June 2022</b>	Six month ended 30 June 2021	12 months ended 31 Dec 2021
	<b>£'000</b>	£'000	£'000
Trade payables	<b>1,427</b>	<b>1,000</b>	1,090
Other tax and social security	<b>238</b>	<b>115</b>	230
Corporation tax	-	-	-
Other payables	<b>280</b>	<b>321</b>	294
Deferred creditors	-	<b>20</b>	-
	<b>1,945</b>	<b>1,456</b>	1,614

## 10. Interim Report

This interim report is available at [www.sigroupplc.com](http://www.sigroupplc.com).