**19 September 2023**

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

**Half-year Report**
***Interim results for the six months ended 30 June 2023***

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 2023 ("2023 H1") and provides an update on current trading and the outlook for the Group.

**Commercial and operational highlights:**

- Strong sales in key markets, UK, Japan and Europe driving overall sales growth
- New strategy in key new geographical markets gaining traction after slower than anticipated start
- Improvement plan being implemented mid Q2 to drive future efficiencies and improve margins throughout operations
- Overhaul of supply chain process and structure to drive down costs
- Transition to MDR remains on track and UKCA mark achieved
- Higher levels of inventory maintained to support service levels to customers
- Positive orderbook for Q3, including a positive OEM forecast for H2

**Financial highlights:**

- Revenues increased 4.4% on prior year to £5.65m (2022 H1: £5.41m)
- Commercial gross margins at 40.5% within target range but decreased compared to 2022 due to short-term operational inefficiencies (2022 H1: 45.5%; 2022 FY: 42.6%)
- Adjusted EBITDA[1] profit of £0.01m (2022 H1: £0.29m)
- Small adjusted operating loss[1] of £0.28m (2022 H1: £0.01m profit)
- Adjusted EPS amounted to a loss[1] of 0.037p per share (2022 H1: 0.004p)
- Net cash[2] at end of period of £0.38m (31 Dec 2022: £0.99m)
- Gross cash headroom at the end of period of £2.41m (as at 31 Dec 2022: £3.20m), including £1.0m undrawn invoice discounting facility

1 *Adjusted EBITDA, adjusted operating (loss)/ profit and adjusted EPS are stated before deducting non-recurring exceptional costs of £0.01m (2022 H1: £0.03) and share based payment costs of £0.02m (2022 H1 £0.02m).*
2 *Net cash equals cash less bank debt*

**Current Trading and Outlook**

- Sales in key markets have continued the strong growth momentum from H1 and, in addition, the backlog of OEM orders has been addressed and there is an encouraging positive orderbook for H2
- Group revenues have continued to grow in H2 in line with the Board's expectations, with key markets and OEM in particular performing strongly
- The Group continues to trade profitably at the adjusted EBITDA level, notwithstanding some operational challenges
- Planned destocking for H2 has commenced and is expected to return working capital towards normal levels
- Evaluations in UK continue to gain pace and it is anticipated the measures to address the significant backlog of patients waiting for treatment will provide further opportunity for the UK team to drive sales through the sustainability message
- Initial growth in new markets was slower than anticipated but new strategies and closer support has seen new momentum and traction starting to be seen in these markets
- Operational review initiated in Q2 to identify supply chain efficiencies and productivity gains
- Resultant improvements are already being implemented to process and structure, although nominal in the current year, these and others to follow are expected to help drive the future profitability of the Group from 2024 onwards

**Chairman of SI, Jonathan Glenn, said:**
*"Revenues in the period to 30 June 2023 have continued to grow and strengthen, with key markets showing positive growth which we expect to continue for the remainder of the year. New geographical territories have been slower than anticipated but are now gaining traction. Our OEM business is back on track after a challenging H1 with the backlog of orders addressed in the period since the half-year end and the supply chain delays resolved for these activities. Overall, the revenue prospects for the Group are encouraging.*

*"Despite recently reported operational challenges with manufacturing productivity and supply chain disruptions, we are confident the measures being implemented will help overcome these. We have engaged an industry specialist to lead this project which is well underway, and we expect to see significant benefits flowing though into the P&L during the first half of the next financial year."*


**Surgical Innovations Group plc** www sigroupplc com
David Marsh, CEO Tel: 0113 230 7597
Charmaine Day, CFO

**Singer Capital Markets (Nominated Adviser & Broker)** **Tel: 020 7496 3000**
Aubrey Powell / Oliver Platts

**Walbrook PR (Financial PR & Investor Relations)** **Tel: 020 7933 8780 or si@walbrookpr.com**
Paul McManus / Lianne Applegarth Mob: 07980 541 893 / 07584 391 303

**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 "resposable" 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 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, with all operations now located at the Leeds site.

***Further information***

Further details of the Group's businesses are available on websites:
www.sigroupplc.com
www.surginno.com, and
www.elementalhealthcare.co.uk

Investors and others can register to receive regular updates by email at si@walbrookpr.com

**Surgical Innovations Group plc**
**Chairman's Statement**

*For the six-month period ended 30 June 2023*

**Market and Financial Overview**

The Group recorded strong revenue growth in 2022 and we have seen this continue, trading in the first half of the year increased 4.4% to £5.65m on the comparable period last year (2022 H1: £5.41m). Sales continue to strengthen in the second half of the year and remain on track to meet management's expectations.

The UK business continues to be strong which is driven by the sustainability messaging, having a positive impact on activity. SI-branded product sales were £0.92m (2022 H1: £0.68m) and UK distribution sales were £2.11m (2022 H1: £2.01m), together up 12.7%. This will continue to grow as the NHS pushes its focus sustainability and the implementation of its 'Net Zero' commitment and implements measures to address the increasing backlog of patients on waiting lists.

In Europe, the increased investment in sales and marketing is starting to gain traction, achieving underlying sales growth of 18.2% which delivered revenue of £0.69m (2022 H1: £0.59m). Despite being hindered by missed opportunities in component delays with the new Optical trocar, this is expected to gain traction with new business wins in the second half.

Revenues from the US are progressing more slowly than planned, marginally lower than the comparable period for SI-branded products as the first half decreased to £0.48m (2022 H1: £0.59m). Progress with *YelloPort Elite* was slower than anticipated, but increased focus, training and sales support has seen momentum gained through the conversion of a number of smaller accounts in H1.

The APAC region continued to generate strong revenue growth to £0.54m, an 11.8% increase (2022 H1: £0.48m). The majority of the growth was from our Japanese distributor as they continue to gain market share, despite having delays with product registration with the *5mm Elite* launch. The launch is now expected in Q4, and this presents a significant future opportunity. In addition, the initial orders for India were sent out in the first half of the year and we are encouraged by the initial interest from early evaluations.

OEM revenues have endured the majority of challenges with supply chain delays, with reported revenues of £0.68m (2022 H1: £0.92m). Notwithstanding this, the order book remains strong for the remainder of the year and the manufacturing disruption is starting to ease for these product lines.

Commercial or underlying margins remained just within target range at 40.5% (2022 H1: 45.3%, 2022 FY: 42.6 %). At the end of 2022 a review was undertaken to analyse the overhead absorption rate, as operating expenses had continued to increase with inflationary pressures, the overhead rate was uplifted, in addition the pressures from material suppliers continue. A series of planned price increases has been implemented across the period however, some of these will be phased in over time due to the fixed term nature of contractual agreements.

The reported gross margin of just under 33.0% (2022 H1: 34.6%, 2022 FY: 34.6%) includes the net cost of manufacturing, reflecting the operational challenges the business continues to experience. Manufacturing productivity and supply chain disruptions will impact profitability in the second half of the year, as reported in the recent trading update. A complete operational review of both manufacturing operations and supply chain is currently being undertaken, utilising an industry specialist. While measures are already being introduced to improve efficiencies and productivity, we expect the majority of the benefit to flow through to the P&L in the next financial year.

Other operating expenses increased to £2.17m (2022 H1: £1.93), driven by additional investment in Sales and Marketing to enhance revenue and continued investment in regulatory costs due the change in certification to Medical Device Regulation (MDR). In addition, the inflationary pressure in employee remuneration has continued to impact profitability. Excluding the effects of non-recurring items and share based payments, operating expenses increased by £0.26m to £2.14m (2022 H1: 1.88m). The Group is trading at an adjusted EBITDA profit for the period of £0.01m (2022 H1: £0.29m). The full effect of these additional costs will impact the second half of the year, but management expects the Group will continue to be profitable at the adjusted EBITDA level, as a result of the operational review initiatives starting to be implemented.

Adjusted operating loss before tax for the period (before non-recurring items and share based payment charges) was £0.28m (2022 H1: £0.01m). The reported net loss before taxation amounted to £0.37m against a net loss before taxation of £0.11m in the first half last year.

The Group reported a tax credit in the period of £nil (2022 H1: £0.09m) which related to an enhanced research and development ("R&D") claim for 2021. The Group received a tax credit of £0.22m in August 2023, relating to its claim for 2022. 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 a loss of 0.037p (2022 H1: £0.004p). The net total comprehensive income for the period amounted to a loss of £0.37m (2022 H1: loss of £0.01m).

For the first half of 2023, cash used in operations was £0.07m (FY 2022: £0.23m generated, 2022 H1: £0.22m generated). After continued investment into R&D of £0.12m (FY 2022: £0.42m, 2022 H1: £0.17m), capital expenditure of £0.18m (FY 2022: £0.66m, 2022 H1: £0.19m) and the refinancing of the existing bank loan and lease liabilities, the Company had available cash balances, including the unused invoice discounting facility of £1.0m, totalling £2.41m (31 Dec 2022: £3.20m). The covenant test (EBITDA to debt service) for the period ending 30 June 2023 was waived by the lender, they remain fully supportive with approval obtained to waive the next two debt service covenant tests dated 30 September 2023 and 31 December 2023.

**Market outlook**

The UK continues to demonstrate strong growth underpinned by the sustainability messaging, highlighted by the growth in SI-branded products, and has opened opportunities in both the NHS and private sectors where the drive to 'Net Zero' is gaining momentum. Whilst industrial action by clinical staff has impacted both the volume of surgery and pace of evaluations, the UK business has proved to be resilient and continues to show growth into Q3. The UK sales team is at full strength and has benefited from a new enhanced training programme, which will also be rolled out to support all of our international partners over the coming months.

Sustainability messaging initiatives continue to drive sales in many key markets and the ongoing investment in sales support, marketing, training and development of the financial & environmental calculator have proved to be powerful tools in driving growth. APAC has continued to demonstrate growth and the delayed launch of *Elite 5mm* and *Optical*, now expected in late Q4, provides further opportunity before the year-end. Progress in Europe has quickened, with sales in H1 above pre-Covid levels for the first time, with sustainability a key driver and continuing to provide opportunities in H2.

Revised targeting and incentive plans for the US sales team have already seen an increase in the number of active evaluations with the potential to drive sales from Q4 and beyond. Long-term partner, Adler Instruments, continues to have a strong business opportunities, however outside of the Southeast the consortium of distributors has proven to be disappointing. The Company continues to review the most effective routes to market for its scissor sales.

Investment in new product development has continued and a number of projects remain close to fruition. The *YelloPort Elite* family was enhanced with the launch of the *5mm Optical* and, whilst some registration delays have slowed the launch in key markets, it is expected these registrations will be completed to allow a Q4 launch in the majority of key markets feedback from important markets has identified the opportunity for a further line extension in the form of a shielded cutting trocar specifically in Gynaecology. Under the new MDR approved quality management system we have been able to accelerate the development of this device and anticipate a launch in late Q4. Some supply chain delays have slowed progress on the *Logi Dissect* and *Grasp* instruments for which launch is now planned in the earlier part of 2024. Investment in new product development continues to build on the sustainability message.

Underlying revenues in the OEM segment continued throughout H1 to be suppressed, not by demand, but due to supply chain constraints. Alternate suppliers of some key components to address delays have taken substantially longer to come online. These challenges slowed sales in the first half of the year, but a significant improvement has been seen since the end of the first half. Collaborations with CMR have moved to a new phase, and take sales out of the OEM segment, leveraging the relationship with CMR to open opportunity for SI's global partners to introduce *YelloPort Elite* for both robotic and conventional laparoscopic cases. This has substantially sped up the number and volume of evaluations in two new markets, India and Germany.

**Operational and Regulatory activities**

The reduction in the Supply chain disruptions has not been as fast as anticipated, leading to a delay to some sales orders into the second half as a result. This has also led to higher levels of inventory being held, though this is now reducing and is expected to return to more normalised volumes over the coming months, returning cash into the business.

The regulatory pathway continues to be on track for the EU Medical Device Regulation (MDR), although the delay in implementing the transition to MDR has seen the focus of the notified body move to other, more current priorities. The Company's Quality Management System, technical files and microbiology data have been made compliant with MDR, audited by BSI and fully approved. Progress on the product technical files continues with 2 out of 3 approved for MDR, and the final file has clinical review in progress. UKCA mark has been achieved and a further Medical Device Single Audit Program (MDSAP) audit successfully completed.

**Current trading and outlook**

Group revenues have continued to grow in H2 in line with the Board's expectations, with key markets and OEM in particular performing strongly. Manufacturing challenges continue to be addressed, to manage the impact of increased supply chain lead times and the increasing cost base. An operational plan to improve productivity and margins continues to be implemented with the help of an industry operational expert.

The momentum in sales has continued into H2 and the order book remains positive, leaving management confident of the H2 revenue forecast. A robust operational plan will begin to drive efficiencies and margins, the majority of the impact of which will be seen from 2024 onwards.

**Jonathan Glenn**
***Chairman***
**19 September 2023**

## Unaudited consolidated income statement
## for the six months ended 30 June 2023

| | Notes | **Unaudited six months ended 30 June 2023 £'000** | Unaudited six months ended 30 June 2022 £'000 | Audited Year ended 31 December 2022 £'000 |
|---|---|---|---|---|
| **Revenue** | 3 | **5,650** | 5,413 | 11,340 |
| Cost of sales | | **(3,786)** | (3,540) | (7,418) |
| **Gross profit** | 2 | **1,864** | 1,873 | 3,922 |
| Other operating expenses | | **(2,170)** | (1,933) | (3,881) |
| Other income | | **-** | - | - |
| **Adjusted EBITDA profit *** | | **95** | 287 | 695 |
| Amortisation of intangible assets | | **(140)** | (129) | (232) |
| Impairment of intangible assets | | **-** | - | - |
| Depreciation of tangible assets | | **(231)** | (164) | (355) |
| Exceptional items | | **(8)** | (32) | (32) |
| Share based payments | | **(22)** | (22) | (35) |
| **Operating (loss)/profit** | | **(306)** | (60) | 41 |
| Finance costs | 4 | **(68)** | (51) | (98) |
| Finance income | | - | - | - |
| **Loss before taxation** | | **(374)** | (111) | (57) |
| Taxation credit/(charge) | 5 | - | 97 | 321 |
| **(Loss)/profit and total comprehensive income** | | **(374)** | (14) | 264 |
| **Earnings per share** | | | | |
| Basic | 6 | **(0.040p)** | (0.002p) | (0.028p) |
| Diluted | 6 | **(0.040p)** | (0.002p) | (0.028p) |

* 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 2023

| | Notes | Share capital | Share premium | Capital reserve | Merger reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance as at 1 January 2023 | | 9,328 | 6,587 | 329 | 1,250 | (6,531) | 10,963 |
| *Employee share-based payment charge* | | - | - | - | - | 22 | 22 |
| Total - Transaction with owners | | 9,328 | 6,587 | 329 | 1,250 | (6,509) | 10,985 |
| Loss and total comprehensive income for the period | | - | - | - | - | (374) | (374) |
| **Unaudited balance as at 30 June 2023** | | **9,328** | **6,587** | **329** | **1,250** | **(6,883)** | **10,611** |

## Unaudited consolidated balance sheet
## as at 30 June 2023

| | Notes | **Unaudited 30 June 2023 £'000** | Unaudited 30 June 2022 £'000 | Audited 31 December 2022 £'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | | **925** | 471 | 858 |
| Right of Use Assets | | **903** | 947 | 918 |
| Intangible assets | | **6,387** | 6,255 | 6,403 |
| | | **8,215** | 7,673 | 8,179 |
| **Current assets** | | | | |
| Inventories | | **3,566** | 3,040 | 3,162 |
| Trade and other receivables | 9 | **2,137** | 2,054 | 2,055 |
| Cash at bank and in hand | | **1,412** | 3,040 | 2,199 |
| | | **7,115** | 8,134 | 7,416 |
| **Total assets** | | **15,330** | 15,807 | 15,595 |
| **Equity and liabilities** | | | | |
| **Equity attributable to equity holders of the parent company** | | | | |
| 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 | | **(6,883)** | (6,822) | (6,531) |
| **Total equity** | | **10,611** | 10,662 | 10,963 |
| **Non-current liabilities** | | | | |
| Dilapidation provision | | **165** | 165 | 165 |
| Lease liability | | **670** | 790 | 722 |
| Borrowings | 8 | **679** | 1,031 | 825 |
| | | **1,514** | 1,986 | 1,712 |
| **Current liabilities** | | | | |
| Trade and other payables | 9 | **2,188** | 1,945 | 1,886 |
| Accruals | | **411** | 653 | 420 |
| Lease liability | | **254** | 209 | 232 |
| Borrowings | 8 | **352** | 352 | 382 |
| | | **3,205** | 3,159 | 2,920 |
| **Total liabilities** | | **4,719** | 5,145 | 4,632 |
| **Total equity and liabilities** | | **15,330** | 15,807 | 15,595 |

## Unaudited consolidated cash flow statement
## for the six months ended 30 June 2023

| | Notes | **Unaudited six months ended 30 June 2023 £'000** | Unaudited six months ended 30 June 2022 £'000 | Audited year ended 31 December 2022 £'000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Loss after tax for the year | | **(374)** | (14) | 264 |
| Adjustments for: | | | | |
| Taxation | | **-** | (97) | (321) |
| Finance Income | | **-** | - | - |
| Finance Costs | 4 | **68** | 51 | 98 |
| Depreciation of property, plant and equipment | | **115** | 73 | 167 |
| Amortisation and impairment of intangible assets | | **140** | 129 | 232 |
| Depreciation of right of use assets | | **116** | 91 | 188 |
| Share-based payment charge | | **22** | 22 | 35 |
| Foreign Exchange (loss)/gain | | **32** | (87) | (82) |
| Increase in inventories | | **(404)** | (75) | (197) |
| Increase in current receivables | | **(82)** | (360) | (360) |
| Increase in trade and other payables | | **292** | 487 | 204 |
| **Cash (used in)/ generated from operations** | | **(73)** | 220 | 228 |
| Taxation received | 5 | **-** | 97 | 321 |
| Interest received | | **-** | - | - |
| Interest paid | | **(39)** | (25) | (63) |
| **Net cash (used in)/generated from operating activities** | | **(112)** | 292 | 486 |
| Payments to acquire property, plant and equipment | | **(181)** | (189) | (659) |
| Acquisition of intangible assets | | **(124)** | (168) | (419) |
| **Net cash used in investment activities** | | **(305)** | (357) | (1,078) |
| Repayment of bank loan | 8 | **-** | (375) | (375) |
| Repayment of CBILS | 8 | **(176)** | (118) | (294) |

| | | | | |
|---|---|---|---|---|
| Repayment of lease liabilities | 7 | **(162)** | (133) | (266) |
| **Net cash used in financing activities** | | **(338)** | (626) | (935) |
| **Net decrease in cash and cash equivalents** | | **(755)** | (691) | (1,527) |
| Cash and cash equivalents at beginning of period | | **2,199** | 3,644 | 3,644 |
| Effective exchange rate fluctuations on cash held | | **(32)** | 87 | 82 |
| **Net cash and cash equivalents at end of period** | | **1,412** | 3,040 | 2,199 |

## 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 18 September 2023. 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 2022, 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 2022 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 September 2023 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 2023 (unaudited)**<br>**£'000** | Six months ending 30 June 2022 (unaudited)<br>**£'000** | 12 months ending 31 Dec 2022 (audited)<br>**£'000** |
|---|---|---|---|
| **Revenue** | **5,650** | 5,413 | 11,340 |
| Cost of Sales | **(3,360)** | (2,959) | (6,525) |
| Underlying Gross Margin | **2,290** | 2,454 | 4,815 |
| **Underlying Gross Margin %** | **40.5%** | **45.3%** | **42.6%** |
| Net Cost of Manufacturing | **(426)** | (581) | (893) |
| Contribution Margin | **1,864** | 1,873 | 3,922 |
| **Contribution Margin %** | **33.0%** | **34.6%** | **34.6%** |

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:

| Six months ended 30 June 2023 (unaudited) | SI Brand £'000 | Distribution £'000 | OEM £'000 | Total £'000 |
|---|---|---|---|---|
| United Kingdom | 920 | 2,105 | 614 | 3,639 |
| Europe | 694 | - | - | 694 |
| US | 479 | - | 69 | 548 |
| APAC | 541 | - | - | 541 |
| Rest of World | 228 | - | - | 228 |
| | **2,862** | **2,105** | **683** | **5,650** |

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

| Year ended 31 December 2022 (audited) | SI Brand £'000 | Distribution £'000 | OEM £'000 | Total £'000 |
|---|---|---|---|---|
| United Kingdom | 1,683 | 4,044 | 1,315 | 7,042 |
| Europe | 1,377 | - | - | 1,377 |
| US | 1,240 | - | 424 | 1,664 |
| APAC | 926 | - | - | 926 |
| Rest of World | 331 | - | - | 331 |
| | **5,557** | **4,044** | **1,739** | **11,340** |

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 2023** | Six month ended 30 June 2022 | 12 months ended 31 Dec 2022 |
|---|---|---|---|
| | **£'000** | £'000 | £'000 |
| On bank borrowings | **40** | 24 | 43 |
| On right-of-use assets lease liabilities | **28** | 27 | 55 |
| | **68** | 51 | 98 |

## 5. Tax

### Current taxation

During 2023 the Group submitted an enhanced Research and development claim in respect of 2022 amounting to £0.22m, which was paid in August of 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 six months ended 30 June 2023** | Unaudited six months ended 30 June 2022 | Audited year ended 31 December 2022 |
|---|---|---|---|
| **Earnings per share** | | | |
| Basic | **(0.040p)** | (0.002p) | (0.028p) |
| Diluted | **(0.040p)** | (0.002p) | (0.028p) |
| Adjusted | **(0.037p)** | 0.004p | (0.036p) |

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 non-recurring costs, amortisation, impairment costs and share based payments) by the weighted average number of shares in issue.

The anti-dilutive effect of unexercised share 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.

| | **Unaudited six months ended 30 June 2023 '000s** | Unaudited **six months ended 30 June 2022 '000s** | Audited year ended 31 December 2022 '000s |
|---|---|---|---|
| Basic earnings per share | **932,816** | 932,816 | 932,816 |
| Dilutive effect of unexercised share options | **1,240** | 5,049 | 3,129 |
| Diluted earnings per share | **934,056** | 937,865 | 935,945 |

## 7. Leases

### Impact on the statement of financial position

| | **30 June 2023** | | 30 June 2022 | | 31 December 2022 | |
|---|---|---|---|---|---|---|
| | Assets £'000 | Liabilities £'000 | Assets £'000 | Liabilities £'000 | Assets £'000 | Liabilities £'000 |
| Right of use assets and lease liabilities | 903 | 924 | 947 | 999 | 918 | 954 |
| Of which are: | | | | | | |
| Current lease liabilities | | 254 | | 209 | | 232 |
| Non-Current lease liabilities | | 670 | | 790 | | 722 |
| Impact on Equity | | (21) | | (52) | | (36) |
| Total impact on statement of financial position | 903 | 903 | 947 | 947 | 918 | 918 |

During 2022, the Group financed a new CNC Lathe through HP finance totalling £158,000, the cost of the right-of-use asset has been reflected into the period ending 30 June 2022.

## 8. Net borrowings

| At amortised cost | **Six month ended 30 June 2023** | Six month ended 30 June 2022 | months ended 31 Dec 2022 |
|---|---|---|---|
| | **£'000** | £'000 | £'000 |
| Cash & cash equivalents | **1,412** | 3,040 | 2,199 |
| Current bank borrowings | **(352)** | (352) | (382) |
| Non-current bank borrowings | **(679)** | (1,031) | (825) |
| **Adjusted Net Cash** | **381** | 1,657 | 992 |
| Current lease liabilities | **(254)** | (209) | (232) |
| Non-current lease liabilities | **(670)** | (790) | (722) |
| **Net Cash** | **(543)** | 658 | 38 |

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 over the Bank of England (BoE) base rate. Monthly instalments are £0.029m.
- Covenants attached to the CBILS comprise of EBITDA to debt servicing costs minimum 1.25x on a 12-month rolling basis.
- The covenant test for the period ending 30 June 2023 was waived by the lender, with approval obtained to waive the next two debt service covenant tests dated 30 September 2023 and 31 December 2023.
- Additional headroom is provided by an Invoice Discounting facility of £1.0m, at 2.5% margin on receivables drawn with a maximum administration fee 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 months ended 30 June 2023** | Six months ended 30 June 2022 | 12 months ended 31 Dec 2022 |
|---|---|---|---|
| | **£'000** | £'000 | £'000 |
| Trade receivables | **1,566** | 1,681 | 1,762 |
| Cash and cash equivalents | **1,412** | 3,040 | 2,199 |
| | **2,978** | 4,721 | 3,961 |

The financial liabilities of the Group are categorised as follows:

| **At amortised cost** | **Six months ended 30 June 2023** | Six months ended 30 June 2022 | 12 months ended 31 Dec 2022 |
|---|---|---|---|
| | **£'000** | £'000 | £'000 |
| Trade payables | **1,756** | 1,427 | 1,420 |
| Other payables | **268** | 280 | 294 |
| Current lease liabilities | **254** | 209 | 232 |
| Non-current lease liabilities * | **670** | 790 | 722 |
| Current bank borrowings | **352** | 352 | 382 |
| Non-current bank borrowings * | **679** | 1,031 | 825 |
| | **3,979** | 4,089 | 3,875 |

*Amortised costs are considered to the equivalent amount of fair value

| **Trade and other payables** | **Six months ended 30 June 2023** | Six months ended 30 June 2022 | 12 months ended 31 Dec 2022 |
|---|---|---|---|
| | **£'000** | £'000 | £'000 |
| Trade payables | **1,756** | 1,427 | 1,420 |
| Other tax and social security | **164** | 238 | 172 |
| Corporation tax | **-** | - | - |
| Other payables | **268** | 280 | 294 |
| | **2,188** | 1,945 | 1,886 |

## 10. Interim Report

This interim report is available at [www.sigroupplc.com/annual-interim-reports.](www.sigroupplc.com/annual-interim-reports.)