

13 March 2018

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

Final results for the year ended 31 December 2017

Surgical Innovations Group plc (AIM: SUN), the designer, manufacturer and distributor of innovative medical technology for minimally invasive surgery, reports strong financial results for the year ended 31 December 2017. The integration of Elemental Healthcare Limited ("Elemental Healthcare"), acquired on 1 August 2017, is now completed, and the Group reports good progress in product range development, and in new and extended distribution relationships.

Financial Highlights:

- Revenues up by 44% to £8.75m (2016: £6.09m)
- Revenues from SI branded products increases by 15% to £5.35m (2016: £4.66m)
- Underlying organic sales growth at constant currency rates of 8%
- Gross margin improvement to 42.5% (2016: 33.8%)
- Adjusted* operating margin up to 13.0% (2017 reported 6.8%, 2016: 8.1%)
- Adjusted* PBT of £1.10m (2017 reported: £0.54m, 2016: £0.28m)
- Adjusted* EPS of 0.19 pence (2017 reported: 0.10 pence, 2016: 0.15 pence)
- Closing net debt of £0.73m (2016: net cash of £0.72m)

* Adjusted operating margin, PBT & EPS stated before deduction of exceptional costs (£0.22m) & amortisation relating to acquisition (£0.32m) and share based payment costs (£0.02m).

Operational Highlights:

- Transformational acquisition of Elemental Healthcare completed on 1 August 2017 for £9.4m
- Expanded board with new commercial leadership
- Integration programme now fully implemented
- Overseas distribution relationships strengthened
- YelloPort Elite launched and roll out progressing well
- Managed transition to new UK Notified Body
- UK distribution agreements extended and supplemented by new lines

Post Period Highlights:

- Elemental Healthcare signed three year distribution agreement with Bariatric Solutions GmbH
- Elemental Healthcare signed an additional three year exclusive UK distribution agreement with Microline Surgical Inc, Boston USA. Expected to generate revenue of an estimated £7m

Executive Chairman, of Surgical Innovations, Nigel Rogers, said:

"I am pleased to report that Surgical Innovations Group plc has again delivered strong financial results. The integration of Elemental Healthcare into the Group has now been fully implemented, with all commercial and marketing activity coming under the new operation.

"Through the acquisition of Elemental Healthcare, the Group has the exclusive UK distribution rights to a range of premium medical devices which further complement the laparoscopic range of ports and instrumentation within the

Surgical Innovations Branded portfolio. These products offer a wider field of use including bariatric and metabolic surgery, breast and abdominal wall reconstruction and abdominal hernia repair.

“The acquisition has been well received by third party manufacturers served by Elemental Healthcare, and looking ahead there are further opportunities to enhance the scope of our UK distribution business.

“Total revenue for the current year to date is well ahead of the corresponding period last year as expected. On a like-for-like basis (adjusting for the effect of acquisition) revenue has been adversely affected by constraints experienced in NHS hospitals in the UK, however there are now clear signs of a return to more a normal level of activity.

“Meanwhile, we have completed extensions to agreements with key vendors to our UK distribution business, and our international business has started the year on a more positive note. Accordingly, we remain optimistic that the prospects for the year as a whole remain consistent with our earlier expectations.

“Looking to the future, we continue to anticipate numerous opportunities to enhance the depth and range of products we offer through our internal development programme, and through further corporate activity.”

This announcement includes inside information as defined in Article 7 of the Market Abuse Regulation No.596/2014 and is disclosed in accordance with the Company’s obligations under Article 17 of those Regulations.

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Chairman's Statement

I am pleased to report on a year of positive progress for Surgical Innovations Group plc, with strong financial results and the transformational acquisition of Elemental Healthcare Limited providing an exciting platform for the future.

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, manufacture and source our branded port access systems, surgical instruments and retraction devices which are sold directly in the UK home market through 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 re-usable, part disposable, offering a high-quality solution at a cost that is competitive against fully disposable alternatives, and significantly reduces clinical waste.

Elemental Healthcare also has exclusive UK distribution rights to 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, and have also collaborated with a major UK industrial partner to provide precision engineering solutions to complex problems outside the medical arena.

We aim to provide a broad portfolio of products, which are either developed in-house or through partnerships and further acquisition activity.

Financial Overview

Revenue for the year increased by 44% to £8.75m (2016: £6.09m). Underlying organic growth at constant rates of foreign exchange was approximately 8%, with a modest gain arising on foreign exchange contributing approximately 3%. Revenues from SI branded products increased by 15% to £5.35m (2016: £4.66m), aided by the move to direct sales in the UK following the acquisition of Elemental Healthcare. Gross margins continued to strengthen to 42.5% (2016: 33.8%) as a consequence of enhanced end-to-end margin on home sales and operational gearing.

The Group delivered a 55% increase in Adjusted EBITDA (stated before exceptional costs and amortisation relating to acquisition, and share based payment costs) to £2.22m (2016: £1.43m). The adjusted operating margin was 13.0% (2016: 8.1%), and adjusted profit before taxation amounted to £1.10m (Reported PBT: £0.54m, 2016: £0.28m).

The net profit and total comprehensive income for the year amounted to £0.63m, (2016: £0.72m), resulting in net earnings per share of 0.10p (2016: 0.15p). Adjusted basic earnings per share (being Profit after tax stated before exceptional costs and amortisation relating to acquisition, and share based payment costs divided by weighted average number of shares) amounted to 0.19p, an increase of 26.7% over the prior year.

At the end of the year, the Group had net borrowings (cash balances net of loan and financing commitments) of £0.73m (2016: net cash of £0.72m). The Group had aggregate available borrowing facilities of £3.00m, of which £2.50m was drawn down in consideration of the acquisition, and remains in compliance with all financial covenants.

Acquisition of Elemental Healthcare Limited

On 1 August 2017, we completed the acquisition of Elemental Healthcare, a leading distributor of innovative medical products to the NHS and UK private hospitals from its two principals, Adam Power and David Marsh. These products span a range of specialised clinical disciplines covering laparoscopy (including SI branded products), bariatric and metabolic surgery, hernia repair, and breast and abdominal wall reconstruction.

In the most recent set of published financial statements for the year ended 31 March 2017, Elemental Healthcare reported revenues of £6.5m and an adjusted operating profit of £1.10m (stated before exceptional non-recurring bad debt costs and directors remuneration).

Consideration for the transaction amounted to a gross amount of £9.38m including a payment to settle a liability of the vendors. On a net basis consideration paid was £9.14m including the issue of shares to the vendors of £1.88m at 3p per share. The remainder of the consideration and costs associated with the deal were financed by an institutional placing of £5.50m (before costs) at a price of 3p per share, and a new £3m facility with Yorkshire Bank of five years duration.

The integration of Elemental Healthcare into the Group has now been fully implemented, with all commercial and marketing activity coming under the new operation, led by David Marsh and Adam Power. A programme of meetings and visits to all major overseas distributors has been carried out, and plans for future growth agreed.

The acquisition has been well received by third party manufacturers served in the UK by Elemental Healthcare. One distribution agreement was terminated in accordance with its terms during the final quarter of the year following the acquisition of Novadaq Technologies, Inc by Stryker Corporation. Following termination, Elemental Healthcare has received payment in lieu of notice which is sufficient to compensate for the effect of any profit foregone to the end of 2018. Since the end of the year, a new three year agreement has been signed with Bariatric Solutions GmbH for the exclusive UK distribution of devices for the treatment of obesity, and a three year extension has been signed with Microline Surgical Inc. for the exclusive UK distribution of a complementary range of instruments for minimally invasive surgery.

Current trading and outlook

Total revenue for the current year to date is well ahead of the corresponding period last year as expected, although on a like-for-like basis (adjusting for the effect of acquisition) revenue has been affected by constraints experienced in NHS hospitals in the UK. It was widely reported during January that winter illnesses caused most UK hospitals to reach abnormally high capacity levels, resulting in the cancellation of many elective surgical procedures. There are now clear signs of a return to a more normal level of activity, however we have experienced some modest headwinds in the first quarter.

Meanwhile, there are further opportunities to enhance the scope of our UK distribution business, and our international business has started the year on a more positive note. Accordingly, we remain optimistic that the prospects for the year as a whole remain consistent with our earlier expectations.

Looking to the future, we continue to anticipate numerous opportunities to enhance the depth and range of products we offer through our internal development programme, and through further corporate activity.

Nigel Rogers
Executive Chairman
12 March 2018

Operating and Financial Review

Overview

Following the acquisition of Elemental Healthcare on 1 August 2017, Group sales grew 44% to £8.75m (2016: £6.09m) and adjusted EBITDA increased 55% to £2.22m (2016: £1.43m) with £1.73m of that being on a like-for-like basis.

Profit before tax, amortisation of intangible assets created on the acquisition of Elemental Healthcare, exceptional items and share based payments ("adjusted profit before tax") increased 266% to £1.10m (2016: £0.30m). On the same basis, diluted EPS increased 26.7% to 0.19p (2016: 0.15p).

The acquisition of Elemental Healthcare was partly financed through a new £2.5m term loan of which £2.42m remained outstanding at the year end and the Company had available cash resources of £1.71m (2016: £0.78m). Leverage at 31 December 2017 was comfortably below the bank covenant of two times adjusted EBITDA at 1.11.

Revenue

Revenue increased 44% to £8.75m (2016: £6.09m). The acquisition of Elemental Healthcare delivered £2.49m of sales representing 23% of the total group turnover (after intercompany sales elimination) with the remaining portfolio of SI Branded product and OEM sales performing strongly and delivering a sales increase of 11% to £6.73m (2016: £6.09m). Through the new board appointments, the Group has restructured its commercial activities to best utilise the commercial skills of the new directors.

£m	2017	2016	% change
SI Brand	5.35	4.66	+15%
Distribution	1.80	-	-
OEM*	1.60	1.43	12%
Total	8.75	6.09	+44%

*PE has been incorporated into OEM

Surgical Innovations branded sales performed strongly in the year with like-for-like growth of 10%. The strongest area of growth was in the UK home market with sales up 39% to £1.16m (2016: £0.84m). Europe also performed strongly and the US achieved growth of 6% in the year.

Through the acquisition of Elemental Healthcare, the Group now also has the exclusive distribution rights to a range of premium medical devices which further complement the laparoscopic range of ports and instrumentation within the Surgical Innovations Branded portfolio. These products offer a wider field of use including bariatric and metabolic surgery, breast and abdominal wall reconstruction and abdominal hernia repair.

OEM (including Precision Engineering) grew strongly in the year to £1.60m (2016: £1.43m), particularly with our partners in the US for whom we manufacture device components, typically valves or instrumentation. Sales of the Fix8 device for Advanced Medical Solutions Group plc continued to grow year on year, despite end user sales being restricted due to product enhancing design modifications currently being made to the existing product. The Group undertook two further Precision Engineering projects in the period with the second project expected to complete in HY1 2018.

Group sales were enhanced by approximately £0.15m due to movements in foreign exchange in the year, predominantly US dollar, although the effect on operating profit was largely offset by the effect of some purchases denominated in both Euros and US dollars. The exposure to foreign exchange movements has altered following acquisition due to Elemental Healthcare making purchases in both US Dollars and Euros, as well as sterling. It is expected that a natural hedge will occur for US Dollar sales and purchases and the Group has made steps to move European distributors of SI branded products to Euro price lists in Q2 2018 to offset the Euro mismatch risk.

Adjusted EBITDA

The adjusted EBITDA is a key performance measure of the business. The Group uses this as a proxy for understanding the underlying performance of the Group. This measure also excludes the items that distorts comparability.

Adjusted EBITDA increased 55% to £2.22m (2016: £1.43m) as the impact of 44% revenue growth and a 8.7% uplift in gross margin was partially offset by increases in operating costs. Operating profit increased to £0.58m (2016: £0.47m), increasing adjusted operating margin (before deduction of exceptionals and amortisation relating to acquisition and share based payments) to 13.0% (2016: 8.1%)

Gross margin improved to 42.5% in the year as like-for-like business continued to show improvements on the prior year, primarily through increased manufacturing recoveries. Following the acquisition, the addition of the Elemental Healthcare sales for the latter five months of the year also improved the overall margin.

Excluding exceptional items in the year, operating expenses increased to £2.62m with the inclusion of the sales and administration costs associated with Elemental Healthcare. On a like-for-like basis, operating costs would have been £1.91m (2016: £1.59m), resulting from a decrease in capitalised R&D expense (as more time was allocated to regulatory compliance in the year), an increased amortisation charge as a full year of costs associated with Yelloport Elite were included and headcount additions in R&D and Quality.

Following several months of preparation and review the Group successfully completed its transition over to a new regulatory notified body in March 2018.

Capitalised development costs at 31 December 2017 had decreased to £1.45m (2016: £1.60m). Research and development expenditure continues to be incurred, and a portion has been capitalised in respect of specifically identifiable products amounting to £0.38m (2016: £0.44m). These products are due for launch in the current year.

Capital expenditure on tangible assets continued to reflect a policy of required replacement only during the year at £0.25m (2016: £0.26m) and there are no major capex plans currently under consideration.

Interest on bank and finance lease obligations for 2017 resulted in interest payable of £0.04m (2016: £0.19m). As the acquisition of Elemental Healthcare was partly debt funded, it is expected that finance costs will increase in 2018, partially offset by interest on positive cash balances.

There were £1.29m of intangible assets created on the acquisition of Elemental Healthcare relating to the supplier base, which will be fully amortised by 2020 with the charges in the year being:

Year	£000's
2017	£327
2018	£446
2019	£351
2020	£163

Goodwill of £8.59m has been recognised in the accounts which will be subject to an impairment review annually.

The group recorded a corporation tax charge of £0.08m (2016: credit of £0.44m) and a deferred tax credit of £0.12m (2016: £nil) The tax charge represents tax on Elemental Healthcare activities relating to post integration trading but overall the group continues to hold substantial tax losses on which it holds a cautious view. The Group have chosen not to recognise those losses fully. During the year the Group submitted enhanced Research and Development claims in respect of 2016, electing to exchange tax losses for cash refunds. This claim had not been settled by year end and so no refund was recognised in the accounts. This claim is expected to be significantly less than the claims recognised in 2016 of £0.44m which related to 2014 and 2015 due to the difference in available losses to exchange in the comparative periods.

The buildup of trade payables and trade receivables in 2017 were as a result of the acquisition of Elemental Healthcare. Trade receivables increased to £1.61m (2016: 1.10m) and payables to £1.58m (2016: £0.34m). Inventory increased to £2.47m (2016: £1.50m) in part due to the additional inventory relating to the acquisition but also as a strategic stock build of new products to satisfy ongoing demand. This mainly related to the Yelloport Elite range of products.

The Group generated cash from operations of £1.61m (2016: £2.40m) primarily as a result of the working capital movements described above. Cash used in investment was £8.34m (2016: £0.78m) resulting in a cash outflow before financing of £6.73m (2016: inflow of £2.00m).

The consideration for Elemental Healthcare was a gross amount of £9.38m including an amount payable to settle a liability of the vendors. The net consideration was £9.14m. This was funded by proceeds from the issues of new ordinary shares of £5m, new term loans of £2.5m and the issue of £1.88m of shares in the company to the vendors.

Principal risks and uncertainties

All principal risks and uncertainties are on page 10 in the Director's report

Key performance indicators

The group uses several financial measures as key performance indicators of which Adjusted EBITDA is considered to be the key measure as discussed above.

Melanie Ross
Chief Finance Officer
12 March 2018

Consolidated statement of comprehensive income

for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Revenue	2	8,752	6,089
Cost of sales		(5,033)	(4,029)
Gross profit		3,719	2,060
Other operating expenses		(3,163)	(1,591)
Other Income		25	-
Adjusted EBITDA		2,221	1,431
Amortisation of intangible assets		(850)	(429)
Depreciation of tangible assets		(556)	(510)
Exceptional items		(216)	-
Share based payments		(18)	(23)
Operating profit		581	469
Finance costs		(39)	(192)
Finance income		-	1
Profit before taxation		542	278
Taxation credit		84	438
Profit and total comprehensive income		626	716
Earnings per share, total and continuing			
Basic	3	0.10p	0.15p
Diluted	3	0.10p	0.15p

The Consolidated statement of comprehensive income above relates to continuing operations.

Adjusted EBITDA is defined as earnings before interest, taxation, depreciation, amortisation, share based payments and exceptional items.

Consolidated statement of changes in equity

for the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Capital reserve £'000	Merger Reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2016	4,863	1,641	329	-	(2,903)	3,930
Employee share-based payment options	-	-	-	-	23	23
Issue of share capital	471	698	-	-	-	1,169
Total – transactions with owners	471	698	-	-	23	1,192
Profit and total comprehensive income for the period	-	-	-	-	716	716
Balance as at 31 December 2016	5,334	2,339	329	-	(2,164)	5,838
Employee share-based payment	-	-	-	-	18	18
Issue of share capital	2,492	3,717	-	1,250	-	7,459
Attributable costs for issue of Equity	-	(225)	-	-	-	(225)
Total – transactions with owners	2,492	3,492	-	1,250	18	7,252
Profit and total comprehensive income for the period	-	-	-	-	626	626
Balance as at 31 December 2017	7,826	5,831	329	1,250	(1,520)	13,716

Consolidated balance sheet

at 31 December 2017

	2017 £'000	2016 £'000
Assets		
Non-current assets		
Property, plant and equipment	1,328	1,579
Intangible assets	11,009	1,597
Deferred tax asset	62	-
	12,399	3,176
Current assets		
Inventories	2,467	1,496
Trade receivables and other current assets	1,964	1,387
Cash at bank and in hand	1,709	775
	6,140	3,658
Total assets	18,539	6,834
Equity and liabilities		
Equity attributable to equity holders of the parent company		
Share capital	7,826	5,334
Share premium account	5,831	2,339
Capital reserve	329	329
Merger reserve	1,250	-
Retained earnings	(1,520)	(2,164)
Total equity	13,716	5,838
Non-current liabilities		
Borrowings	2,125	-
Obligations under finance leases	-	8
Deferred tax liabilities	183	-
	2,308	8
Current liabilities		
Trade and other payables	1,580	337
Obligations under finance leases	16	45
Accruals	619	606
Borrowings	300	-
	2,515	988
Total liabilities	4,823	996
Total equity and liabilities	18,539	6,834

Consolidated cash flow statement

for the year ended 31 December 2017

	2017	2016
	£'000	£'000
Cash flows from operating activities		
Profit after tax for the year	626	716
Adjustments for:		
Taxation	(84)	(438)
Finance income	-	(1)
Finance costs	39	192
Non-cash exceptional items	8	-
Depreciation of property, plant and equipment	556	510
Amortisation and impairment of intangible assets	850	429
Share-based payment charge	18	23
Grant income	-	(10)
Foreign exchange	29	65
Equity share options issued	(32)	-
(Increase) / decrease in inventories	(238)	797
Decrease in current receivables	263	178
Increase / (decrease) in payables	(131)	(61)
Cash generated from operations	1,904	2,400
Taxation (paid) / received	(206)	531
Interest paid	(90)	(86)
Net cash generated from operating activities	1,608	2,845
Payments to acquire property, plant and equipment	(250)	(161)
Acquisition of intangible assets	(381)	(440)
Consideration for Surgical Dynamics assets and laparoscopic business	(144)	(182)
Acquisition of Elemental Healthcare net of cash acquired	(7,135)	-
Deal costs	(431)	-
Net cash used in investment activities	(8,341)	(783)
New bank borrowings	2,500	-
Repayment of bank loan	(75)	(2,000)
Net proceeds from issue of share capital	5,307	-
Repayment of obligations under finance leases	(36)	(198)
Net cash generated from/ (used in) financing activities	7,696	(2,198)
Net increase / (decrease) in cash and cash equivalents	963	(136)
Cash and cash equivalents at beginning of year	775	976
Effective exchange rate fluctuations on cash held	(29)	(65)
Cash and cash equivalents at end of year	1,709	775

Notes to the consolidated financial statements

1. Group accounting policies under IFRS

Basis of preparation

Surgical Innovations Group PLC (the "Company") is a public AIM quoted company incorporated, domiciled and registered in England in the UK. The registered number is 2298163 and the registered address is Clayton wood house, 6 Clayton wood bank, Leeds, LS16 6QZ.

The consolidated financial statements of the group have been prepared on the basis of the International Financial Reporting Standards (IFRS) accounting policies set out below. The financial statements have been prepared in accordance with IFRS as adopted for use by the European Union, including IFRIC interpretations, and in line with those provisions of the Companies Act 2006 applicable to companies reporting under IFRS. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The financial statements have been prepared under the historical cost convention, are presented in Sterling and are rounded to the nearest thousand.

The financial information set out in this preliminary announcement does not constitute the Company's Consolidated Financial Statements for the financial years ended 31 December 2017 or 31 December 2016 but are derived from those Financial Statements. Statutory Financial Statements for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the company's AGM. The auditors, BDO LLP, have reported on those financial statements. Their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006 in respect of the financial statements for 2016 or 2017.

The Statutory accounts will be available on the Company's website at www.siggroupplc.com with effect from 14 March 2018 and will be posted to selected shareholders at the end of April. Shareholders wishing to request a copy can contact the Company's registered office

The Directors have considered the available cash resources of the Group and its current forecasts and are satisfied that the Group has adequate resources to continue in operational existence and that there are no material uncertainties casting doubt over the going concern status of the Group. Accordingly, the financial statements are prepared on a going concern basis.

2. Segmental Reporting

Geographical analysis of revenues

	2017 £'000	2016 £'000
United Kingdom	4,337	1,920
Europe	1,527	1,287
US	2,066	1,876
Rest of World	822	1,006
	8,752	6,089

Revenues are allocated geographically on the basis of where revenues were received from and not from the ultimate final destination of use. During 2017 £1,238,000 (14.1%) of the Group's revenue depended on one distributor in the SI Brand segment (2016: £1,235,000 (20.3%)).

UK revenue of £4,337,000 relates to SI Branded products of £2,535,000 (58.5%) and Distribution of £1,802,000 (42.5%).

Sales of goods were £8,560,000 (2016: £5,863,000) and sales relating to services in the UK were £192,000. (2016: £206,000)

3. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the year ended 31 December 2017 was based upon the profit attributable to ordinary shareholders of £626,000 (2016: £716,000) and a weighted average number of ordinary shares outstanding for the year ended 31 December 2017 of 637,570,475 (2016: 487,924,227).

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the year ended 31 December 2017 was based upon the profit attributable to ordinary shareholders of £626,000 (2016: £716,000) and a weighted average number of ordinary shares outstanding for the year ended 31 December 2017 of 662,157,725 (2016: 494,001,073).

Adjusted earnings per ordinary share

The calculation of adjusted earnings per ordinary share for the year ended 31 December 2017 was based upon the adjusted profit attributable to ordinary shareholders (profit before exceptional and amortisation costs relating to the acquisition of Elemental Healthcare and share based payments) of £1,187,000 (2016: £739,000) and a weighted average number of ordinary shares outstanding for the year ended 31 December 2017 of 637,570,475 (2016: 487,924,227).

<i>No. of shares used in calculation of earnings per ordinary share ('000s)</i>	2017	2016
	No. of Shares	No. of Shares
Basic earnings per share	637,570	487,924
Dilutive effect of unexercised share options	24,588	6,077
Diluted earnings per share	662,158	494,001

4. Net cash/borrowings

	2017	2016
	£'000	£'000
Bank Loan	2,425	-
Obligations under finance leases	16	53
Less: cash and cash equivalents	(1,709)	(775)
Net (cash)/debt	732	(722)
Total equity	13,716	5,838
Total capital	14,448	5,116

Bank loan

The sterling bank loan provided by Yorkshire Bank on 1 August 2017 for a five year term was split into two loan agreements A and B. Loan A of £1.5m is subject to quarterly payments of £0.075m commencing on 31 October 2017, totaling repayments £0.3m per annum at an interest rate of LIBOR plus 3% per annum. Loan B of £1m is interest only at a rate of LIBOR plus 3.5% per annum with a repayment in full by the termination date of 31 July 2022. On the 31 December 2017 the remaining balance of the term loans was £2.425m. The bank has made available a Revolving Credit Facility (RCF) of up to £0.5m for working capital and other purposes.

The RCF and loan agreements are subject to compliance with financial covenants which measure cash flow to debt service and EBITDA, interest cover and leverage. If the RCF is drawdown the rate of interest applicable to each loan for its interest period will be LIBOR plus 2.8% per annum and it will be secured by a fixed and floating charge over the assets of the Group. At the 31 December 2017, no amount was drawn down.

5. Acquisition

On the 1st August 2017, the Group acquired 100% of the equity of Elemental Healthcare for a total investment of £9,375,000. The main reason for the acquisition was to add a direct route to market in the UK, as well as a range of complementary devices and instrumentation which Elemental Healthcare have exclusive distribution rights to. The acquisition was also earnings enhancing with the business being profitable and cash generative.

Book values were not adjusted for fair value changes apart from a separable intangible asset (Exclusive supplier contracts) and its associated deferred tax being identified and valued. Details of the fair value of the identifiable assets acquired, purchase consideration and goodwill of Elemental Healthcare are as follows:

Assets acquired from Elemental Healthcare:	Provisional Fair Value on acquisition £'000
Exclusive supplier contracts	1,287
Property, plant & Equipment	55
Inventory	544
Trade debtors	366
Other debtors, prepayments and accrued income	95
Cash in hand	130
Trade creditors	(758)
Corp tax	(29)
Other creditors, taxes & social security	(387)
Accruals	(41)
Deferred tax liability	(245)
FV identifiable assets	1,017
Goodwill recognised	8,594
Acquisition-date fair value of the total consideration transferred	9,139
Representing:	
Cash	7,264
Shares issued	1,875
	9,139
Acquisition costs expensed to profit or loss	216
Acquisition costs expensed to share premium attributable to equity	225
Total Acquisition costs	441

Out of the £441,000, £431,000 was paid by the year ending 31 December 2017.

The acquired business contributed revenues of £2.49m and profit after tax of £0.4m to the group for the year to 31 December 2017.

The goodwill represents substantial synergies and cross selling opportunities for combining the business to the Group, as well as the inherent value of the assembled workforce.