11 September 2018

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

Half-year Report
Interim results for the six months ended 30 June 2018

Surgical Innovations Group plc (AIM: SUN), the designer, manufacturer and distributor of innovative medical technology for minimally invasive surgery, reports financial results for the six month period ended 30 June 2018. The Group has delivered growth in revenues and profit in the first half of the year despite some significant headwinds in the market and regulatory environment, primarily due to the acquisition of Elemental Healthcare in August 2017.

The Group has continued to broaden its product base by investing in product innovation, and by entering into both new and extended distribution agreements. Cash flow from trading has been enhanced by significant reductions in inventory, enabling the repayment of net debt by the end of the period.

Financial highlights:

- Revenues up 52.4% to £5.28m (2017H1: £3.47m), primarily due to the acquisition of Elemental Healthcare
- Adjusted EBITDA* up 13.3% to £0.94m (2017H1: £0.83m)
- Adjusted operating profit* up 35.5% to £0.42m (2017H1: £0.31m)
- Reported PBT (after acquisition related amortisation costs and share based payment charges) of £0.09m
- Adjusted earnings per share of 0.05p (2017H1: 0.06p)
- Net cash at end of period of £0.02m (31 Dec 2017: net debt £0.73m)

** Adjusted EBITDA and Adjusted operating profit are stated before deducting amortisation of intangible acquisition costs of £0.22m (2017H1: £nil) and share based payment costs of £0.06m (2017H1: £nil).*

Executive Chairman of SI, Nigel Rogers, said: *"The Group has emerged from a challenging period with improved financial results, a strong balance sheet, and net indebtedness incurred in the Elemental acquisition last year fully eliminated. We have implemented measures to strengthen important distribution relationships, and support the development of our international business through an expanded core range of branded products and a competitive pricing model. This is supplemented by close partnerships with our key OEM customers, who are well positioned to generate further growth.*

"Our UK distribution business continues to fulfil a vital role in the direct sale of branded products in our home market, and is also building a valuable portfolio of specialised products that offer substantial advantages to surgeons, healthcare professionals and patients. The ability to obtain detailed first-hand knowledge of the reception of our product ranges from a large cohort of surgeons, who offer suggestions for improvements to existing products and ideas for innovation, is proving to be a valuable asset.

"With these initiatives in process, we continue to look forward to the second half of the year and beyond with confidence."

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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 re-usable, 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, and have also collaborated with a major UK 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 two sites in the UK. Product design, engineering and manufacturing are carried out at the SI site in Yorkshire. Commercial activities including marketing, UK distribution and international sales and marketing are based at Elemental Healthcare in Berkshire.

Elemental Healthcare was acquired by the Group on 1 August 2017, providing direct sales representation in the UK home market and a range of distribution products.

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 2018

I am pleased to report that the Group has delivered growth in revenues and profit in the first half of the year despite some significant headwinds in the market and regulatory environment, primarily due to the acquisition of Elemental Healthcare.

The Group has continued to broaden its product base by investing in product innovation, and by entering into both new and extended distribution agreements. Cash flow from trading has been enhanced by significant reductions in inventory, enabling the repayment of net debt by the end of the period.

It is anticipated that trading conditions will continue to improve, and recent positive developments will enable the Group to deliver an enhanced growth rate in the second half of the year.

Financial Overview

Revenues increased by 52.4% to £5.28m (2017H1: £3.47m), predominantly through the additional revenues relating to Elemental Healthcare acquired in August 2017.

Revenues from SI branded products grew by 13.1%to £2.80m (2017H1: £2.48m), which included the incremental revenue arising in the UK from direct sales previously handled through distribution by Elemental. Market conditions in the UK were challenging. In the first quarter of the year, NHS hospitals carried out a substantially reduced number of elective surgical procedures following the winter capacity crisis and ongoing spending constraints. This pressure eased somewhat in the second quarter, although activity has only recently returned to a more normalised level.

Revenues from the US in the first half reduced by 25% to £0.79m, although much of this reduction was a result of timing differences in distributor stocking, and we anticipate a return to growth for the full year. Revenues from Europe held steady in the period at £0.73m (2017H1: £0.71m). There was strong growth of 76% in the rest of the world sales to £0.67m (2017H1: £0.38m). Additional sales resources have been deployed in our international business, and we have also simplified routes to some key markets, most importantly in Japan.

OEM revenues were broadly similar to the corresponding period in 2017 at £0.98m (2017H1: £0.99m). Within this segment, revenues from the manufacture of Liquiband Fix-8 devices reduced temporarily due to the introduction of design changes, however this was more than offset by the sale of initial production units of test rigs in Precision Engineering. With the successful re-launch of Fix-8 and a follow on order for test rigs in place, we expect a return to strong growth in the second half.

UK Distribution sales amounted to £1.51m (2017H1: £nil), and were held back in part by spending constraints in the NHS. This was exacerbated by a disruption to the supply of CELLIS breast and abdominal wall products arising from regulatory delays in re-approval on a change of notified body by the manufacturer announced in May. All current products, together with an innovative new range, were re-certified in August and will come back on-stream in the last quarter of the year.

Gross margins continued to track within our target range at 39.1% of revenues (2017H1: 37.9%, 2017 full year: 42.5%). The reduction in gross margin compared with the second half of the prior year arose as a result of lower production recoveries, whilst inventory reductions of 25% to £2.00m (Dec 2017: £2.50m) were achieved, releasing cash resources.

Other operating expenses increased by £1.07m to £2.08m reflecting overheads relating to Elemental Healthcare which were not reflected in the first half of the prior year. Adjusted operating profit (before acquisition related costs and share based payment charges) for the period was £0.42m (2017H1: £0.31m) at an operating margin of 8.0%. Net profit before taxation amounted to £0.09m against a net profit before taxation of £0.30m in the corresponding period last year.

The Group reported a tax credit in the period of £0.04m (2017 FY: credit of £0.08m) which relates to claims for enhanced Research and Development in respect of 2016. The Group has substantial corporation tax losses and continues to review the extent to which a deferred tax asset should be recognised based on the estimated future taxable profits of the Group. A deferred tax asset of £0.06m was recognised at year end and no adjustment has been made to this asset in the following period. The Group are in the process of preparing an enhanced Research and Development claim for 2017, this will depend on the amount of current year tax losses that can be elected to exchange for cash, if any.

The net profit and total comprehensive income for the period amounted to £0.13m (2017H1: £0.30m), resulting in an adjusted net earnings per share of 0.05p (2017H1: 0.06p).

Net investment in working capital was virtually unchanged at £2.11m (31 December 2017: £2.23m) with operating cash conversion of 93% of EBITDA (2017: 72%).

Net cash flow from operating activities increased to £1.02m (2017H1: £0.85m), stated before outflows of £0.26m on investing activities (2017: £8.34m). At the end of the period, the Group had available cash at bank of £2.30m, and was in full compliance with all financial covenants. Total net cash resources, taking into account both loan and finance leases outstanding, increased to £0.02m (31 December 2017: deficit of £0.73m).

Regulatory framework

During the first half of the year, the business has completed a change of notified body, and also prepared for audits in relation to the uplifting of both its ISO13485 and ISO9001 certificates to the latest standards which have subsequently been completed. We are now awaiting the outcomes of the review of this work by our notified body, and are optimistic that these new certificates will be issued before the end of the year.

There have been several other changes in relation to regulatory compliance which have impacted the business in the year, most notably the change of the Canadian Authorities to move to the new Medical Device Single Audit Programme regime and away from its own Canadian Medical Device Conformity Assessment System. We have been working with our notified body to prepare for the change and are well placed to complete this work within the timescales defined by the Canadian authorities.

The next change on the horizon will then be the movement away from the Medical Device Directive to new Medical Device Regulations, a significant change by the European Commission, and one that will take several years to complete. We are expecting to be fully compliant and transitioned in 2021, and work is already underway to ensure that our documentation, quality procedures and business ethos are aligned as required to this new regulatory pathway.

New products

Following the successful launch of the new YelloPort Elite® in the UK market, rollout to our international network gathered pace in the first half of the year. This has been well received, and led to a decision to apply for 510k approval in preparation for a US market launch next year. Expansion of this important product range continues, with beta trials of a new optical trocar in progress, and further trocar variants and a range of disposable cannulae in the pipeline.

In September 2018 at the London Breast meeting of the Royal College of Physicians, we launched the new CELLIS Breast Pocket, an innovative dermal matrix which facilitates a pre-pectoral breast reconstruction procedure. The CELLIS Breast Pocket has been developed in close conjunction with leading surgeons from Guy's Hospital, and is designed to facilitate ease of placement, reduction in post-operative complications and improved cosmetic appearance. A programme of training workshops is planned during the last quarter of the year, enabling a roll-out to NHS and private hospitals to take place shortly thereafter.

This initiative forms a central pillar in an expanding range of distribution products, with special emphasis on the treatment of breast cancer patients. This range also includes illuminated retractors to enable surgeons to improve efficiency and accuracy, and products for the effective post-operative drainage of fluid, significantly reducing infection risk for the patient, and maximising the utilisation of nursing resources for the healthcare provider.

Brexit

The Board continue to follow progress in Brexit negotiations, and we are making contingency plans in the event that the UK exits the EU in March 2019 without completing an appropriate withdrawal agreement. In April 2018, we transitioned all relevant European distributors to price lists denominated in Euros, and this provides a natural hedge against cash outflows on components purchased in the EU.

Default arrangements under World Trade Organisation rules generally levy no tariffs on medical products, and the Group has submitted an application to obtain Authorised Economic Operator status to allow quicker customs clearance if required. This is expected to be completed before the end of 2018.

We have been assured by our UK notified body that arrangements are in place to rapidly re-register all current CE marks to a domicile within the EU for regulatory purposes in the event that this becomes necessary.

We remain hopeful that this situation will be avoided and that, as a minimum, trade with EU entities will be unaffected for the duration of a transitional period.

Corporate Governance

The Group aims to operate to high standards of moral and ethical behavior. All members of the board fully support the value and importance of good corporate governance and in our accountability to all of the Group's stakeholders, including shareholders, employees, customers (including patients and healthcare professionals), distributors, suppliers, regulators and the wider community.

The corporate governance framework which the Group has set out, including board leadership and effectiveness, remuneration and internal control, is based upon practices which the board believes are proportionate to the risks inherent to the size and complexity of group operations.

The board considers it appropriate to adopt the principles of the Quoted Companies Alliance Corporate Governance Code ("the QCA Code") published in April 2018. The extent of compliance with the ten principles that comprise the QCA Code, together with an explanation of any areas of non-compliance, and any steps taken or intended to move towards full compliance, are set out on at the end of this announcement.

Outlook

The Group has emerged from a challenging period with improved financial results, a strong balance sheet, and net indebtedness incurred in the Elemental acquisition last year fully eliminated. We have implemented measures to strengthen important distribution relationships, and support the development of our international business through an expanded core range of branded products and a competitive pricing model. This is supplemented by close partnerships with our key OEM customers, who are well positioned to generate further growth.

Our UK distribution business continues to fulfil a vital role in the direct sale of branded products in our home market, and is also building a valuable portfolio of specialised products that offer substantial advantages to surgeons, healthcare professionals and patients. The ability to obtain detailed first-hand knowledge of the reception of our product ranges from a large cohort of surgeons, who offer suggestions for improvements to existing products and ideas for innovation, is proving to be a valuable asset.

With these initiatives in process, we continue to look forward to the second half of the year and beyond with confidence.

Nigel Rogers
Executive Chairman
11 September 2018

Unaudited consolidated income statement
for the six months ended 30 June 2018

	Notes	**Unaudited six months ended 30 June 2018 £'000**	Unaudited six months ended 30 June 2017 £'000	Audited Year Ended 31 December 2017 £'000
Revenue	2	**5,284**	3,467	8,752
Cost of sales		**(3,217)**	(2,151)	(5,033)
Gross profit		**2,067**	1,316	3,719
Other operating expenses		**(2,079)**	(1,011)	(3,163)
Other income		**150**	-	25
Adjusted EBITDA *		**938**	831	2,221
Amortisation of intangible R&D costs		**(269)**	(261)	(523)
Depreciation of tangible assets		**(247)**	(265)	(556)
Adjusted operating profit		**422**	305	1,142
Exceptional items		**-**	-	(216)
Amortisation of intangible acquisition costs		**(224)**	-	(327)
Share based payments		**(60)**	-	(18)
Operating profit		**138**	305	581
Finance costs		**(44)**	(4)	(39)
Finance income		**-**	-	-
Profit before taxation		**94**	301	542
Taxation credit	3	**36**	-	84
Profit and total comprehensive income for the period attributable to the owners of the parent		**130**	301	626
Earnings per share				
Basic	4	**0.02p**	0.06p	0.10p
Diluted	4	**0.02p**	0.06p	0.10p
Adjusted	4	**0.05p**	0.06p	0.19p

* EBITDA is earnings before interest, depreciation, amortisation and exceptional items.

Unaudited consolidated statement of changes in equity
for the six months ended 30 June 2018

	Share capital £'000	Share premium £'000	Capital reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2018	7,826	5,831	329	1,250	(1,520)	13,716
Issue of shares	-	-	-	-	-	-
Employee share-based payment charge	-	-	-	-	60	60
Total - Transaction with owners	7,826	5,831	329	1,250	(1,460)	13,776
Profit and total comprehensive income for the period	-	-	-	-	130	130
Unaudited balance as at 30 June 2018	**7,826**	**5,831**	**329**	**1,250**	**(1,330)**	**13,906**

Unaudited consolidated balance sheet
as at 30 June 2018

	Unaudited 30 June 2018 £'000	Unaudited 30 June 2017 £'000	Audited 31 December 2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	**1,139**	1,426	1,328
Intangible assets	**10,717**	1,547	11,009
Deferred tax asset	**62**	-	62
	11,918	2,973	12,399
Current assets			
Inventories	**1,969**	1,622	2,467
Trade receivables and other current assets	**2,132**	1,293	1,964
Cash and cash equivalents	**2,300**	1,188	1,709
	6,401	4,103	6,140
Total assets	**18,319**	7,076	18,539
Equity and liabilities			
Equity attributable to equity holders of the parent company			
Share capital	**7,826**	5,344	7,826
Share premium account	**5,831**	2,365	5,831
Capital reserve	**329**	329	329
Merger reserve	**1,250**	-	1,250
Retained earnings	**(1,330)**	(1,854)	(1,520)
Total equity	**13,906**	6,184	13,716
Non-current liabilities			
Borrowings	**1,975**	-	2,125
Obligations under finance leases	**-**	2	-
Deferred tax liabilities	**141**	-	183
	2,116	2	2,308
Current liabilities			
Trade and other payables	**1,132**	386	1,580
Obligations under finance leases	**3**	29	16
Accruals	**862**	475	619
Borrowings	**300**	-	300
	2,297	890	2,515
Total liabilities	**4,412**	892	4,823
Total equity and liabilities	**18,319**	7,076	18,539

Unaudited consolidated cash flow statement for the six months ended 30 June 2018

	Unaudited six months ended 30 June 2018 £'000	Unaudited six months ended 30 June 2017 £'000	Audited year ended 31 December 2017 £'000
Cash flows from operating activities			
Operating profit	**130**	305	634
Adjustments for:			
Tax	**(36)**		(84)
Finance Costs	**44**		39
Depreciation of property, plant and equipment	**247**	265	556
Amortisation of intangible assets	**493**	261	850
Share-based payment charge	**60**	9	18
Other Income	**300**		
Loss on disposal of fixed assets	**1**		
Foreign Exchange	**6**	(17)	29
Equity share options issued		-	(32)
Operating cash flows before movement in working capital	**1,245**	823	2,010
(Increase) / decrease in inventories	**505**	(234)	(238)
(increase)/ decrease in current receivables	**(167)**	94	263
Increase/(decrease) in trade and other payables	**(555)**	168	(131)
Cash generated from operations	**1,028**	851	1,904
Taxation (paid) / received	**36**	-	(206)
Interest paid	**(44)**	(6)	(90)
Net cash generated from operating activities	**1,020**	845	1,608
Cash flows from investing activities			
Payments to acquire property, plant and equipment	**(60)**	(112)	(250)
Acquisition of intangible assets	**(200)**	(210)	(381)
Consideration for Surgical Dynamics assets and laparoscopic business	**-**	(105)	(144)
Acquisition of Elemental Healthcare net of cash acquired	**-**	-	(7,135)
Deal costs	-	-	(431)
Net cash (used in) investing activities	**(260)**	(427)	(8,341)
Cash flows from financing activities			
New bank borrowings	-	-	2,500
Repayment of bank loan	**(150)**	-	(75)
Net proceeds from issue of share capital	**-**	-	5,307
Repayment of obligations under finance leases	**(13)**	(22)	(36)
Net cash (used in)financing activities	**(163)**	(22)	7,696
Net increase in cash and cash equivalents	**597**	396	963
Cash and cash equivalents at beginning of period	**1,709**	775	775
Effective exchange rate fluctuations on cash held	**(6)**	17	(29)
Net cash and cash equivalents at end of period	**2,300**	1,188	1,709
Analysis of net borrowings:			
Cash at bank and in hand	**2,300**	1,188	1,709
Bank loan	**(2,275)**	-	(2,425)
Loan notes 2017		-	-
Obligations under finance leases	**(3)**	(31)	(16)
Net cash/(debt) at end of period	**22**	1,157	(732)

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 on11 September 2018. 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 2017, 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 group has considered the new standards effective from 01 January 2018, IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments'.

IFRS 15, 'Revenues from Contracts with Customers', introduces a five-step approach to the timing of revenue recognition based on the performance obligations of customer contracts. The group has considered the impact of the new standard to be non-material to the Group's Financial Statements.

IFRS 9, 'Financial instruments' replaces IAS39 'Financial instruments: Recognition and Measurement.' The group has considered IFRS 9 to only impact the impairment of trade receivables. Following assessment, it has been concluded that the use of the expected credit loss approach will not have a material impact on the Group's Financial Statements.

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 2017 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.

2. Segmentalreporting

Information reported to the Board and for the purpose of assessing performance and making investment decisions is organised into three operating segments. The Group's operating segments under IFRS 8 are as follows:

- **SI Brand** - the research, development, manufacture and distribution of SI branded minimally invasive devices.
- **OEM** - the research, development, manufacture and distribution of minimally invasive devices for third party medical device companies through either own label or co-branding and Precision Engineering, the research, development, manufacture and sale of minimally invasive technology products for precision engineering applications.
- **Distribution** -the distribution of specialist medical products sold through Elemental Healthcare Ltd.

The measure of profit or loss for each reportable segment is gross margin less attributable amortisation of product development costs.

Assets and working capital are monitored on a Group basis, with no separate disclosure of asset by segment made in the management accounts, and hence no separate asset disclosure is provided here.The following segmental analysis has been produced to provide reconciliation between the information used by the chief operating decision maker within the business and the information as it is presented under IFRS.

Six months ended 30 June 2018 (unaudited)	SI Brand	Distribution	OEM	Total
	£'000	£'000	£'000	£'000
Revenue	**2,805**	**1,504**	**975**	**5,284**
Result				
Segment result	**497**	**700**	**378**	**1,575**
Exceptional items				-
Unallocated expenses				**(1,437)**
Profit from operations				**138**
Finance costs				**(44)**
Finance income				-
Profitbefore taxation				**94**
Tax				**36**
Profit for the period				**130**

Included within the segment/operating results are the following significant non-cash items:

	SI Brand	Distribution	OEM	Total
Six months ended 30 June 2018 (unaudited)	**£'000**	**£'000**	**£'000**	**£'000**
Amortisation of intangible assets	**206**	**224**	**63**	**493**
Additions to intangibles	**200**	**-**	**-**	**200**
Additions to tangibles	**54**	**6**	**-**	**60**

Six months ended 30 June 2017 (unaudited)	SI Brand	OEM	Total
	£'000	£'000	£'000
Revenue	2,478	989	3,467
Result			
Segment result	720	335	1,055
Exceptional items			-
Unallocated expenses			(750)
Profit from operations			305
Finance costs			(4)
Finance income			-
Profitbefore taxation			301
Tax			-
Profit for the period			301

Included within the segment/operating results are the following significant non-cash items:

	SI Brand	OEM	Total
Six months ended 30 June 2017 (unaudited)	**£'000**	**£'000**	**£'000**
Amortisation of intangible assets	198	63	261

Year ended 31 December 2017 (audited)	SI Brand	Distribution	OEM	Total
	£'000	**£'000**	**£'000**	**£'000**
Revenue	5,349	1,802	1,601	8,752
Result				
Segment result	1,352	1,002	515	2,869
Unallocated expenses				(2,288)
Profit from operations				581
Finance income				-
Finance costs				(39)
Profit before taxation				542
Tax				84
Profit for the period				626

Included within the segment/operating results are the following significant non-cash items:

	SI Brand	**Distribution**	**OEM**	**Total**
Year ended 31 December 2017 (audited)	**£'000**	**£'000**	**£'000**	**£'000**
Amortisation of intangible assets	398	327	125	850
Additions to intangibles	381	-	-	381
Additions to tangibles	245	5	-	250

Unallocated expenses include those costs that cannot be split between segments and which are not separately analysed in themanagement accounts including concept department, sales and marketing, and head office overheads.

Geographicalanalysis

	Unaudited six months ended 30 June 2018 £'000	Unaudited six months ended 30 June 2017 £'000	Audited year ended 31 December 2017 £'000
United Kingdom	**3,097**	1,322	4,337
Europe	**731**	719	1,527
US	**790**	1,047	2,066
Rest of World	**667**	379	822
	5,285	3,467	8,752

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

3. Taxation

Current Tax

The Group reported a tax credit in the period of £0.04m (2017 FY: credit of £0.08m) which relates to claims for enhanced Research and Development in respect of 2016.The Group are in the process of preparing an enhanced Research and Development claim for 2017, this will depend on the amount of current year tax losses that can be elected to exchange for cash, if any.

Deferred Tax

At the balance sheet date, the Group has unused tax losses of £21.5 million available for offset against certain future profits. The timing differences in the fixed assets has given rise to a deferred tax liability of £183,000.A deferred tax asset of £0.06m was recognised at year end and no adjustment has been made to this asset in the following period.

4. Earnings per share

	Unaudited six months ended 30 June 2018	Unaudited six months ended 30 June 2017	Audited year ended 31 December 2017
Earnings per share			
Basic	**0.01p**	0.06p	0.10p
Diluted	**0.01p**	0.06p	0.10p
Adjusted	**0.05p**	0.06p	0.19p

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 costs relating to the acquisition of Elemental Healthcare and share based payments) by the weighted average number of shares in issue.

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 2018 '000s	Unaudited six months ended 30 June 2017 '000s	Audited year ended 31 December 2017 '000s
Basic earnings per share	**782,566**	533,835	637,570
Dilutive effect of unexercised share options	**16,327**	11,006	24,588
Diluted earnings per share	**798,893**	544,841	662,158

5. Related Party Transaction

Getz Bros and Co (BVI) Inc. ("Getz") is a substantial shareholder of Surgical Innovations Group plc. Getz is the ultimate beneficial owner of Asia Cardiovascular Products Limited ("ACP").

ACP acts as the master distributor for SI in the Far East. During the six months ended 30 June 2018, SI invoiced ACP £289,000 for products and as at 30 June 2018 there was an amount owing to the Group of £135,000.

6. Interim Report

This interim report is available at www.sigroupplc.com.

Surgical Innovations Group plc

Statement of compliance with QCA code on Corporate Governance

Principle	**Extent of current compliance**	**Commentary**	**Further disclosure(s)**
Establish a strategy and business model which promote long term value for shareholders.	*Fully compliant*	*Group business strategy is summarised in the Mission Statement approved by the board in February 2018, entitled "Inspired by surgeons for the benefit of patients".* *Strategic issues, and the appropriate business model to exploit opportunities and mitigate risks, are under continuous review by the board, and reported periodically.*	*Go to www.sigroupplc.com and follow About Us then Our Business Activities* *Strategic Report section of the Annual Report*
Seek to understand and meet shareholder needs and expectations	*Fully compliant*	*Regular meetings are held with institutional and private shareholders, during which structured feedback is sought and, where considered appropriate, acted upon.*	*Go to www.sigroupplc.com and follow Investor Centre then Meetings & Voting*
Take into account wider stakeholder and social responsibilities and their implications for long term success	*Fully compliant*	*Directors and employees adopt a broad view during decision making to take meaningful account of the impact of our business on all key stakeholder groups. Feedback from employees, customer groups, suppliers and others is actively encouraged.*	*Go to www.sigroupplc.comand follow About Us then Corporate Social Responsibility*
Embed effective risk management, considering both opportunities and threats, throughout the organisation	*Fully compliant*	*The group operates a system of internal controls designed (to the extent considered appropriate) to safeguard group assets and protect the business from identified risks, including risk to reputation. Financial risks, including adequacy of funding and exposure to foreign currencies, are identified and subject to examination during the annual external audit process.*	*Principal Risks and Uncertainties section of Annual Report*
Maintain the board as a well-functioning, balanced team led by the chair	*Fully compliant*	*The board comprises seven directors; three non-executive directors, three full time executive directors, and the Executive Chairman (whose responsibilities approximate to one day per week). Two of the non-executive directors are considered to be fully independent (Alistair Taylor and Paul Hardy).* *The board is supported by appropriate board committees which are each chaired by one of the independent non-executive directors. An annual record of attendance at board meetings will be included in the Annual Report at the conclusion of each year.*	*Board section of Annual Report (commencing 2018).*
Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	*Fully compliant*	*The board is satisfied that the current composition provides the required degree of skills, experience, diversity and capabilities appropriate to the needs of the business. Steps are*	*Board section of Annual Report (commencing 2018).*

		taken to challenge the status quo, and encourage proper consideration of any dissenting opinion. Board composition and succession planning are subject to continuous review taking account of the potential future needs of the business.	
Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	*Partially compliant*	*Board evaluation has not been carried out as part of a formal process, although the Chairman has actively encouraged self-evaluation by all board members, and feedback on the conduct and content of board meetings. The board will consider whether a more structured approach is required in future.*	*N/A*
Promote a corporate culture that is based on ethical values and behaviours	*Fully compliant*	*The board promotes high ethical and moral standards which are set out in the Mission Statement. The board and all employees expect to be judged by, and accountable for, their actions. The business operates in a highly regulated environment, which promotes the benefits of high moral standards and rewards good behaviour over the long term.*	*Go to www.sigroupplc.com and follow About Us then Our Business Activities*
Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	*Fully compliant*	*The board as a whole share responsibility for sound governance practices. The roles and responsibilities of each of the directors (including committee memberships) are clearly set out in their job descriptions and any particular responsibilities communicated and understood.*	*Board section of Annual Report (commencing 2018).*
Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	*Fully compliant*	*Regular meetings with shareholders and other key representative groups provide a specific opportunity for raising any concerns related to corporate governance, including any significant votes cast against or abstaining from shareholder resolutions. A record of meetings held to engage with shareholders will be included in each Annual Report.*	*Go to www.sigroupplc.com and follow Investor Centre then Meetings & Voting* *Board section of Annual Report (commencing 2018).*