

15 September 2021

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

Half-year Report
Interim results for the six-months ended 30 June 2021

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 2021 ("2021 H1") and provides an update on current trading and the outlook for the Group's business.

Commercial and Operational highlights:

- Healthcare providers returning towards normal activity levels following Covid-19 pandemic
- Service levels, cost base and R&D output benefiting from streamlined operational and regulatory processes
- Strengthened international market exposure through closer relationships
- Distribution network in key US market re-organised and expanded
- Environmentally sustainable product ranges continued to gain global market traction
- Further strengthened executive team through addition of new Sales & Marketing Director
- CAPEX investment in manufacturing to address current and future demands
- Relocation of UK distribution business ("Elemental") to Leeds facility to be completed in second half

Financial highlights¹:

- Revenues up 63% on prior at £4.22m and amounted to 83% of the comparable pre-pandemic period in 2019 (H1 2020: £2.59m, 2019H1: £5.10m¹)
- Direct gross margin (before net manufacturing cost) slightly lower at 42.4% (2020H1:44.5%; 2019H1:44.5%¹)
- Adjusted EBITDA²profit of £0.21m (2020H1: £0.46m loss; 2019H1: £0.65m profit¹)
- Adjusted operating loss² of £0.15m (2020H1: £0.87m loss; 2019H1: £0.22m profit¹)
- Adjusted EPS amounted to a loss² of 0.004p per share (2020H1: loss of 0.112p; 2019H1: earnings of 0.023p per share¹)
- Planned reflation of working capital; cash used in operations managed at £0.17m (Full year to Dec 2020: cash generated of £1.07m)
- Net cash³ at end of period of £2.66m (as at 31 Dec 2020: £3.10m)

¹ Comparative information is shown for the six months ended 30 June 2020, except where otherwise stated. Further comparative information for the six months ended 30 June 2019 has been included to provide a comparison with pre-pandemic trading.

² Adjusted EBITDA, adjusted operating (loss)/ profit and Adjusted EPS are stated before deducting non-recurring exceptional costs of £nil (2020 H1: nil, 2019 H1: £0.1m), amortisation and impairment of intangible acquisition costs of £nil (2020 H1: £1.59m, 2019 H1: £0.18m) and share based payment costs of £0.01m (2020 H1 £0.06m, 2019 H1: £0.10m).

³ Net cash equals cash less bank debt only.

Current Trading and Outlook

- Revenues are now recovering towards pre-pandemic levels in most markets
- Group level revenues for the first two months of the second half are approximately 45% above the level seen in the comparable period last year, and slightly ahead of that seen for the same period in 2019 (pre-pandemic) albeit against seasonally low comparables
- Encouraging YTD trading at 88% of the 2019 pre-pandemic level reflects the resilience of the business in light of the returning demand
- The UK is representative of the global healthcare market, with progress back to pre-Covid levels recently, but likely to continue the intermittent growth pattern experienced earlier in 2021 as countries come to terms with managing the longer-term impact of the virus

- The Group continues to trade profitably at the level of adjusted EBITDA, supported by production activity returning to more normal levels and a reduced overhead base
- Further growth in the hospital activity is expected to have a gradual return to pre-pandemic revenue levels going into 2022

Chairman of SI, Nigel Rogers, said:

“A strong recovery in trading is evident from the results for the first half of the year, and this view is further reinforced by the continued improvement in revenues in post-period trading. The steps taken by management last year, initially to protect the business and subsequently to simplify and strengthen our operational and regulatory processes, are having demonstrably positive effects on the financial and commercial effectiveness of the business.

“With a strengthened management team, and further improved distribution network and product range, we firmly believe that the Group is well placed to continue its recovery to pre-pandemic levels in most major markets in the coming months. Our differentiated ‘Resposable’ product offering is gaining traction and the Board sees encouraging prospects for 2022 and beyond.”

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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 ('Elemental'), 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. The opportunity to reduce plastic waste in surgery substantially through the use of resposable products in preference to their single-use plastic equivalents is well established across the UK NHS and many other developed markets. This is increasingly a factor in tender processes, limiting the range and number of suppliers able to offer a comprehensive range of resposable products with similar or, in some cases, better utility whilst delivering significant overall cost savings to healthcare providers.

Our wholly-owned subsidiary, Elemental, also has exclusive UK distribution rights 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 utilising our expertise to find innovative solutions to the challenges faced by Surgeons. We have a number of long-term relationships with key partner including the design, development and manufacture of the FIX8 device for AMS. The Group are currently working on a new collaboration with a Robotic Company to design and develop an access device for their unique instrumentation, it is anticipated that this will be launched in Q4 2021.

We aim for our brands to be recognised and respected by healthcare professionals in all major geographical markets in which we operate. We seek to 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. Elemental Healthcare, based in Berkshire, 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. Commercial activities including marketing, UK distribution and international sales and marketing are currently based at Elemental's premises, however consultations are underway to relocate these activities to Leeds to enable the company to operate from a single 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 2021

A strong recovery in trading is evident from the results for the first half of the year, and this view is further reinforced by the continued improvement in revenues in post-period trading. The steps taken by management last year, initially to protect the business and subsequently to simplify and strengthen operational and regulatory processes, are having demonstrably positive effects on the financial and commercial effectiveness of the business.

With a strengthened management team, and further improved distribution network and product range, we firmly believe that the Group is well placed to continue its recovery to pre-pandemic levels and beyond in the coming months.

Financial Overview

Trading in the first half of the year continued to build towards pre-pandemic levels, with Group revenues at 83% of the comparable pre-Covid 2019 period at £4.22m (2019 H1: £5.10m), and up 63% on the comparable period last year (2020 H1: £2.59m).

UK revenues from SI branded products were £0.58m (2020 H1: £0.39m, 2019 H1: £0.75m), and UK distribution sales were £1.30m (2020 H1: £0.84m, 2019 H1: £1.49m), indicating increased activity levels of 52% across the half year compared to 2020 and trending around 84% of the equivalent 2019 period. The impact of the second wave negatively impacted the first quarter with the initial focus on treating more urgent cancer related cases, whilst adapting to manage the Covid-19 infection patients. However, the second quarter has continued to improve, with increased access to hospitals and as a consequence the Group recorded monthly sales in the UK at the highest level since September 2019.

First half revenues in Europe were 88% above the level achieved last year at £0.57m (2020 H1: £0.31m) and around 89% of pre-Covid levels (2019 H1: £0.65m). Elective surgery remains at reduced levels, however there is a slight increase in activity, albeit volumes remain lower.

Revenues from the US in the first half increased to £0.78m (2020 H1: £0.29m, 2019 H1: £0.85m), with substantial stocking orders in the first quarter. Sales activity levels in hospitals continue return to normal as the US team makes progress with significant general procurement organisations ("GPOs") and healthcare providers as operating rooms ("OR") become accessible. New evaluations are anticipated to increase in the second half, however there are some states where access remains restricted as a result of Covid challenges.

The APAC region generated strong revenue growth, and this is continuing in the second half, with revenues doubling to £0.41m from pre-Covid 2019 levels (2019 H1: £0.16m), a 27% increase on the comparable period (2020 H1: £0.32m). Our distributor in Japan continues to gain market share and a substantial stocking order in the first quarter boosted the growth achieved. Strong- sales activity continues with significant interest in the resposable[®] product range.

OEM revenues for the half increased to £0.45m (2020H1: £0.33m) but remain significantly down compared to pre-Covid levels by 56% (2019 H1: £1.01m), as our key OEM partners in the medical sector experienced similar pressures to those in our own portfolio, and the significant order for non-medical products delivered in 2018 and 2019 were not repeated this year. We anticipate a small recovery in order patterns as the second half progresses.

Commercial margins achieved on sales continued to be within target range of 40-45% overall. The reported gross margin, which reflects the under-recovery of factory overheads due to reduced activity levels, remains lower at 33.9% (2020 H1: 26.5%, 2019 H1: 43.1%). Inventory levels were depleted towards the end of 2020, and manufacturing recoveries remained low during the early months of 2021 until revenue growth trends were better established. The planned increase in manufacturing activity improved the margins in the second quarter, and this will continue to improve throughout the second half of the year as revenue activity increases.

Other operating expenses were reported to show a decrease to £1.62m (2020 H1: £3.54m), however the prior year included a significant goodwill impairment of £1.44m. Excluding the effects of the goodwill impairment adjustment and share based payments, operating expenses decreased by £0.43m to £1.60m. (2020 H1: £2.03m). A natural reduction in the sales team, combined with Covid restricted travel and marketing activities, facilitated an adjusted EBITDA profit

for the period of £0.21m (2020 H1: £0.46m loss, 2019H1: £0.65m profit). These costs are anticipated to increase during the second half of the year as Covid restrictions are relaxed and revenues return towards pre-pandemic levels.

Adjusted operating loss before tax (before exceptional and acquisition related costs and share based payment charges) for the period was £0.15m (2020 H1: £0.87m, 2019 H1: profit of £0.22m). The reported net loss before taxation amounted to £0.22m against a net loss before taxation of £2.58m in the corresponding period last year.

The Group reported a tax credit in the period of £0.13m (2020 H1: credit of £0.03m) which related to an enhanced research and development claim for the year ending 2019. In terms of deferred tax, the Group continues to hold substantial corporation tax losses on which management takes a cautious view and consequently the Group does not recognise a corresponding deferred tax asset.

Adjusted net earnings per share amounted to 0.004p (2020 H1: £0.112p, 2019 H1: earnings of 0.023p). The net total comprehensive income for the period amounted to a loss of £0.09m (2020 H1: loss of £2.55m, 2019 H1: loss of £0.30m).

The Company continues to take sensible precautions to protect the availability of cash resources and ensured a planned approach to the reflation of the working capital which used £0.17m of cash from operations (Full year 2020: £1.07m generated, H1 2020: £0.54m generated). As of 30 June 2021, the Company had available cash balances (excluding the unused £0.5m revolving credit facility) of £4.69m (31 December 2020: £5.28m), net cash resources (taking into account bank loans outstanding) of £2.66m (31 December 2020: £3.10m), and financial headroom (comprising net cash plus undrawn facilities) of £3.16m (31 December 2020: £3.60m). Financial covenants have been complied with in full and will continue to be tested on a quarterly basis. The Board is satisfied that this provides the appropriate platform to support the anticipated recovery in demand in the coming months.

Market landscape

The rate of elective surgery in the UK NHS continued to suffer disruption in the first half of the year, as hospitals dealt with increasing caseloads of Covid patients during the second wave. Covid hospitalisations peaked at almost 40,000 beds in the first quarter of the year but reduced to below 5,000 beds in the second. By the end of the period, hospital access for our sales team was improving, and the activity levels of elective surgery is now estimated to be at around 80% of pre-Covid levels, with cancer treatments a priority. There remains a substantial and growing backlog of elective surgery, diagnosis and treatment across a broad range of procedures, and the UK government and its agencies are taking steps to streamline processes and provide additional funding to tackle this issue.

Our sustainability and commercial advantages relative to single use plastics have resulted in multiple hospital trials. In the current year there have been five successful trials for SI Resposable™ products. Furthermore, it is anticipated that the increase in volumes of elective surgery and greater access to the OR will allow the team to conclude the fifteen ongoing and scheduled evaluations for SI Resposable™ devices. Together, if successful, these new opportunities may represent material growth for the Company.

The UK team at SI has worked hard to strengthen relationships with our suppliers and this has seen a new three-year exclusive UK distribution agreement with Microline Surgical, announced in March 2021, under which SI distributes Microline Surgical's complementary portfolio of high-quality instruments also aimed at the MIS market with a focus on the Resposable™ ethos of cost and sustainability. This agreement consolidates this long-term synergistic partnership and further endorses our sustainability messaging for the UK market.

A further extension to the agreement with DistalMotion for exclusive distribution of the Dexter robot in the UK has been recently signed, taking the relationship through to September 2024. The partnership with DistalMotion continues to strengthen and, whilst training has been impacted by travel restrictions, 15 surgeons have evaluated Dexter at the facility in Lausanne, with a further six currently planned before the end of the year. There remains a strong pipeline of opportunities but, with the NHS presently still focused on Covid, the procurement process has been extended. However, progress is being made on this process in a number of NHS Trusts and in time we anticipate product demand to develop as the product supports greater efficiency and control in laparoscopic surgery at a lower price point than other robotic solutions.

Additionally, a new agreement for UK distribution with Venclose Inc has been signed. Venclose manufactures a Radio Frequency device for the treatment of chronic venous insufficiency (varicose vein) and is estimated to address a market valued in excess of £6m per annum in the UK.

Revenues in the OEM segment continued to be suppressed, although there was some growth over the level achieved in the first half of 2020. Predominately revenue from the FIX8 device for AMS, restricted access and business development activities have been impacted by non-essential surgical volumes due to Covid. Despite demand remaining heavily suppressed compared to pre-pandemic levels sales continues to improve with anticipated growth in the US following pre-market approval in 2022.

In the US, the effects of the second wave of Covid on hospital activity levels have been more geographically patchy, and also slightly later than in the UK in timescale. In December 2020, we announced the extension of our distribution agreement with Adler Instrument Company Inc. covering our full range of handheld surgical instruments with effect from 1 February 2021. This was followed by an additional five-year US distribution agreement with Microline Surgical Inc., also in February 2021, covering the distribution of our range of YelloPort + and YelloPort Elite access devices.

In both cases, our distributors are now fully equipped and trained, and are active in initiating evaluations and conversion of new accounts. US revenues in the first half of the year were above pre-pandemic levels, and we anticipate building on this success in the second half of the year and into 2022.

There has been further success in Japan, despite elective surgery being at reduced levels. Our distributor has had limited access to hospitals, yet several accounts have been converted and further evaluations are scheduled when conditions are suitable, which is hoped will be the case later in the second half. Overall, sales in the region exceeded pre-pandemic levels and are expected to continue this upward momentum.

Activity in Europe reflects the same challenges as other regions, with elective surgery intermittently being interrupted by further spikes in Covid hospitalisation and access to the OR remaining challenging in some countries. However, sales are beginning to return to pre-Covid levels in certain countries. In addition, it is encouraging that an increase in promoting the sustainability messaging has resulted in an increased number of product evaluations in a number of key markets.

Operational, Regulatory and Development activities

We have continued to take all necessary steps to ensure the safety and well-being of all employees, and the continuity of supply to our customers through subsequent waves of the pandemic, keeping disruption to a minimum. Many of the new methods of working are now established practice offering efficiency benefits and will be continued beyond the pandemic where appropriate.

In particular, the management of our UK sales and distribution channel has increasingly been conducted remotely, with a reduction in the utilisation of our facility at Hungerford. Accordingly, consultations are now underway to relocate all UK sales, marketing and customer service activities to the Leeds site, supplemented by remote working from home where appropriate. This will enable us to consolidate inventory and supply chain management, regulatory activity and shipping costs, and will bring considerable operating efficiencies across the company. Furthermore, operating from a single site will better utilise the facility, bringing sales training and clinical workshops adjacent to our production facility, thus improving our integrated support to customers.

Investment in the site at Leeds has been stepped up, and we are in the process of choosing a design partner to improve to the fabric of the building and, in addition, the upgrading of manufacturing equipment is underway with total expenditure over the next twelve months anticipated to be up to £0.6m. This expenditure will be phased and made, as appropriate, in parallel with business improvements over the coming months and into the next financial year and will further enhance our capabilities and market presence.

In Quality Assurance and Regulatory Affairs (QA/RA), ongoing planning for the transition to Medical Devices Regulatory (MDR) framework remains on track, whilst our team has continued to support new product development activities to enable key product line extensions to progress under a rapid pathway under the Medical Device Directive (MDD). Our approvals are expected to transition from MDD to MDR by March 2023.

In addition to these line extensions, our development team are working closely with a UK-based company to design and build port access devices for exclusive use in conjunction with their range of surgical robots, which are due for launch in Q4 2021

Current trading and outlook

Revenues in the period to 31 August 2021 have continued to improve, increasing by approximately 45% above the level achieved in the prior year, and approximately 3% ahead of the corresponding pre-pandemic period of 2019, although these were a seasonally low base. The UK is representative of the global healthcare market, with progress returning to pre-Covid levels recently, but likely to continue the volatile pattern experienced earlier in 2021 as countries come to terms with managing the longer-term impact of the virus. An encouraging YTD trading of 88% of pre-pandemic levels reflects the strength of the business, and its ability to recover quickly as demand returns. We anticipate that H2 will generate stronger revenues than H1 but will continue to be interrupted by sporadic temporary dips in demand caused by measures taken in hospitals to manage spikes. Production activity has now returned to normal levels such that manufacturing recoveries are no longer diluting margins to a material extent, and with a reduced overhead base, the Group is once again profitable at adjusted EBITDA.

With most major markets recovering, and our product range gaining market share, the prospects for 2022 and beyond look encouraging.

Nigel Rogers

Chairman

15 September 2021

**Unaudited consolidated income statement
for the six months ended 30 June 2021**

		Unaudited six months ended 30 June 2021 £'000	Unaudited six months ended 30 June 2020 £'000	Audited Year Ended 31 December 2020 £'000
	Notes			
Revenue	3	4,218	2,593	6,329
Cost of sales		(2,788)	(1,906)	(5,057)
Gross profit	2	1,430	687	1,272
Other operating expenses		(1,615)	(3,536)	(5,063)
Other income	4	25	329	621
Adjusted EBITDA profit/(loss) *		206	(460)	(661)
Amortisation of intangible assets		(117)	(266)	(412)
Impairment of intangible assets		-	(1,444)	(1,314)
Depreciation of tangible assets		(234)	(288)	(559)
Exceptional items		-	-	(108)
Share based payments		(15)	(62)	(116)
Operating loss		(160)	(2,520)	(3,170)
Finance costs	5	(63)	(64)	(138)
Finance income		-	1	1
Loss before taxation		(223)	(2,583)	(3,307)
Taxation credit/(charge)	6	129	28	31
Loss and total comprehensive income		(94)	(2,555)	(3,276)
Earnings per share				
Basic	7	(0.01p)	(0.32p)	(0.39p)
Diluted	7	(0.01p)	(0.32p)	(0.39p)

* 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 2021**

	Notes	Share capital £'000	Share premium £'000	Capital reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2021		9,328	6,587	329	1,250	(6,404)	11,090
<i>Employee share-based payment charge</i>		-	-	-	-	15	15
Total - Transaction with owners		9,328	6,587	329	1,250	(6,389)	11,105
Loss and total comprehensive income for the period		-	-	-	-	(94)	(94)
Unaudited balance as at 30 June 2021		9,328	6,587	329	1,250	(6,483)	11,011

**Unaudited consolidated balance sheet
as at 30 June 2021**

		Unaudited	Unaudited	Audited
		30 June	30 June	31 December
		2021	2020	2020
	Notes	£'000	£'000	£'000
Assets				
Non-current assets				
Property, plant and equipment		336	565	412
Right of Use Assets		920	1,135	1,030
Intangible assets		6,234	6,145	6,173
		7,490	7,845	7,615
Current assets				
Inventories		2,362	2,948	2,167
Trade and other receivables	10	1,529	1,039	1,283
Cash at bank and in hand		4,692	2,942	5,278
		8,583	6,929	8,728
Total assets		16,073	14,774	16,343
Equity and liabilities				
Equity attributable to equity holders of the parent company				
Share capital		9,328	7,953	9,328
Share premium account		6,587	5,904	6,587
Capital reserve		329	329	329
Merger reserve		1,250	1,250	1,250
Retained earnings		(6,483)	(5,737)	(6,404)
Total equity		11,011	9,699	11,090
Non-current liabilities				
Borrowings	9	-	2,034	1,879
Deferred tax liabilities		-	3	-
Dilapidation provision		165	165	165
Right of Use lease liability		833	996	907
		998	3,198	2,951

Current liabilities

Trade and other payables	10	1,456	1,046	1,449
Accruals		423	425	369
Right of Use lease liability		156	190	298
Borrowings	9	2,029	216	186
		4,064	1,877	2,302
Total liabilities		5,062	5,075	5,253
Total equity and liabilities		16,073	14,774	16,343

**Unaudited consolidated cash flow statement
for the six months ended 30 June 2021**

		Unaudited six months ended 30 June 2021 £'000	Unaudited six months ended 30 June 2020 £'000	Audited year ended 31 December 2020 £'000
Cash flows from operating activities				
Loss after tax for the year		(94)	(2,555)	(3,276)
Adjustments for:				
Taxation		(129)	(28)	(31)
Finance Income		-	-	(1)
Finance Costs	5	63	64	138
Other Income-CBILS interest grant		(23)	-	(27)
Depreciation of property, plant and equipment		134	183	348
Amortisation and impairment of intangible assets		117	1,710	1,726
Depreciation of right of use assets		99	105	211
Share-based payment charge		15	63	116
Foreign Exchange gain/(loss)		22	65	42
(Increase)/decrease in inventories		(196)	(23)	758
(Increase)/decrease in current receivables		(246)	1,320	1,076
Increase/(decrease) in trade and other payables		64	(364)	(10)
Cash (used)/ generated from operations		(174)	540	1,070
Taxation received	6	129	-	-
Interest received		-	-	-
Interest paid		(10)	(15)	(28)
Net cash (used)/generated from operating activities		(55)	525	1,042
Payments to acquire property, plant and equipment		(58)	(30)	(42)
Acquisition of intangible assets		(178)	(70)	(113)
Net cash used in investment activities		(236)	(100)	(155)
Repayment of bank loan	9	(150)	(75)	(150)
CBILS	9	-	1,500	1,500

Net proceeds from issue of share capital		-	-	2,052
Payments to Right of Use lease liabilities		(123)	(125)	(251)
Net cash (used)/generated in financing activities		(273)	1,300	3,151
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Net (decrease)/increase in cash and cash equivalents		(564)	1,725	4,038
Cash and cash equivalents at beginning of period		5,278	1,282	1,282
Effective exchange rate fluctuations on cash held		(22)	(65)	(42)
Net cash and cash equivalents at end of period		4,692	2,942	5,278
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Analysis of net borrowings:				
Cash at bank and in hand		4,692	2,942	5,278
Bank loan	9	(529)	(750)	(677)
CBILS	9	(1,500)	(1,500)	(1,500)
Obligations under right of use lease liabilities		(989)	(1,186)	(1,093)
Net Cash/(debt) at end of period		1,674	(494)	2,008
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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 15 September 2021. 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 2020, 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 2020 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 2020 and the current internal anticipated forecasts the Directors have a reasonable expectation that the Group have adequate resources and support to 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 2021 (unaudited)	Six months ending 30 June 2020 (unaudited)	12 months ending 31 Dec 2020 (audited)
	£'000	£'000	£'000
Revenue	4,218	2,593	6,329
Cost of Sales	(2,431)	(1,440)	(3,519)
Underlying Gross Margin	1,787	1,153	2,810
Underlying Gross Margin %	42.4%	44.5%	44.4%
Net Cost of Manufacturing	(357)	(466)	(1,538)
Contribution Margin	1,430	687	1,272
Contribution Margin %	33.9%	26.5%	20.1%

3. Disaggregation of revenue

The Group has disaggregated revenues in the following table:

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

	SI Brand	Distribution	OEM	Total
Six months ended 30 June 2020 (unaudited)	£'000	£'000	£'000	£'000
United Kingdom	391	840	281	1,512
Europe	305	-	-	305
US	291	-	47	338
APAC	320	-	-	320
Rest of World	118	-	-	118
	1,425	840	328	2,593

	SI Brand	Distribution	OEM	Total
Year ended 31 December 2020 (audited)	£'000	£'000	£'000	£'000
United Kingdom	889	2,311	457	3,657
Europe	726	-	-	726
US	882	-	151	1,033
APAC	681	-	-	681
Rest of World	232	-	-	232
	3,410	2,311	608	6,329

	SI Brand	Distribution	OEM	Total
Six months ended 30 June 2019 (unaudited)	£'000	£'000	£'000	£'000
United Kingdom	754	1,489	923	3,166
Europe	648	-	-	648
US	769	-	82	851
APAC	160	-	-	160
Rest of World	278	-	-	278
	2,609	1,489	1,005	5,103

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

4. Other Income

Other Income:	Six month ended 30 June 2020	Six month ended 30 June 2020	12 months ended 31 Dec 2020
	£'000	£'000	£'000
CJRS	2	329	594
CBILS-Interest free (12 months)	23	-	27
	25	329	621

5. Finance Costs

Finance costs:	Six month ended 30 June 2020	Six month ended 30 June 2020	12 months ended 31 Dec 2020
	£'000	£'000	£'000
On bank borrowings	33	29	70
On right-of-use assets	30	35	68
	63	64	138

6. Tax

Current taxation

During 2020 the Group submitted an enhanced Research and development claim in respect of 2019 amounting to £0.13m this was paid in the current year.

Deferred taxation

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

7. Earnings per share

	Unaudited	Unaudited	Audited
	six months	six months	year
	ended	ended	ended
	30 June	30 June	31 December
	2021	2020	2020
Earnings per share			
Basic	(0.010p)	(0.322p)	(0.393p)
Diluted	(0.010p)	(0.322p)	(0.393p)
Adjusted	0.004p	(0.112p)	(0.189p)

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

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

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

	Unaudited	Unaudited	Audited
	six months	six months	year
	ended	ended	ended
	30 June	30 June	31 December
	2021	2020	2020
	'000s	'000s	'000s
Basic earnings per share	931,573	795,316	834,763
Dilutive effect of unexercised share options	1,243	1,610	2,061
Diluted earnings per share	932,816	796,926	836,824

8. IFRS16

Impact on Income statement:	Unaudited 6 Months to 30 June 2021	Unaudited 6 Months to 30 June 2020	Audited 12 months to 31 December 2020
	£'000	£'000	£'000
Impact on EBITDA	123	125	251
Depreciation	(99)	(105)	(211)
Finance costs	(30)	(35)	(68)
Impact on profit before tax	(6)	(15)	(28)

9. Net borrowings

At amortised cost	month ended 30 June 2021	month ended 30 June 2020	months ended 31 Dec 2020
	£'000	£'000	£'000
Cash & cash equivalents	4,692	2,942	5,278
Bank borrowings-Current	(2,029)	(216)	(298)
Bank borrowings-Non-current	-	(2,034)	(1,879)
Adjusted net cash	2,663	692	3,101
Lease liabilities-Current	(156)	(190)	(186)
Lease liabilities Non-current	(833)	(996)	(907)
Net Cash/(debt)	1,674	(494)	2,008

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. During 2019 the Board elected to repay £1.0m of term Loan B in advance of the due date, from available cash resources.

Loan A of £1.5m is subject to quarterly payments of £0.075m which commenced on 31 October 2017, totalling repayments £0.3m per annum at an interest rate of LIBOR plus 3% per annum. On 31 December 2020 the remaining balance of the term loans was £0.68m. The bank has made available a Revolving Credit Facility (RCF) of up to £0.5m for working capital and other purposes.

In May 2020 the Company agreed with its bankers to suspend normal capital repayments of £0.075m per quarter under the existing loan facility of £0.75m until 31 October 2020, and to maintain the flexibility of the existing £0.50m revolving credit facility. In addition to secure further funding, the Company agreed a new facility of £1.50m under the Coronavirus Business Interruption Loan Scheme. The aggregate balance as at the 30 June 2021 is £2.03m and both loans are repayable in May 2022. Financial covenants will continue to be tested on a quarterly basis with ample headroom at drawdown.

10. Financial Instruments

The financial assets of the Group are categorised as follows:

At amortised cost	Six month ended 30 June 2021	Six month ended 30 June 2020	12 months ended 31 Dec 2020
	£'000	£'000	£'000
Trade receivables	1,200	598	963
CJRS receivable	-	111	-
Cash and cash equivalents	4,692	2,942	5,278
	5,892	3,651	6,241

The financial liabilities of the Group are categorised as follows:

At amortised cost	Six month ended 30 June 2021	Six month ended 30 June 2020	12 months ended 31 Dec 2020
	£'000	£'000	£'000
Trade payables	1,000	298	749
Other payables	321	303	294
Deferred creditors	20	298	242
Lease liabilities - Current	156	190	186
Lease liabilities - Non-current	833	996	907
Bank borrowings - Current	2,029	216	298
Bank borrowings - Non-current	-	2,034	1,879
	4,359	4,335	4,555

Trade and other payables	Six month ended 30 June 2020	Six month ended 30 June 2020	12 months ended 31 Dec 2020
	£'000	£'000	£'000
Trade payables	1,000	298	749
Other tax and social security	115	147	164
Corporation tax	-	-	-
Other payables	321	303	294
Deferred creditors	20	298	242

	1,456	1,046	1,449
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11. Interim Report

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