23 March 2022

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

Final Results
Audited results for the year ended 31 December 2021

Surgical Innovations Group plc (AIM: SUN), the designer, manufacturer and distributor of innovative technology for minimally invasive surgery, reports its audited financial results for the year ended 31 December 2021.

The Group has continued to show resilience despite the ongoing effects of the global pandemic, with periods of strong recovery between each successive wave of Covid. Annual revenues were well ahead of the prior year, and matched pre-pandemic levels by the final quarter. This has been sustained into the current year. We anticipate further progress from the adoption of our innovative Resposable ™ technology which is demonstrated to reduce waste and costs in elective surgery.

Commercial and operational highlights:
- Major markets rebounding from global pandemic
- Increasing levels of hospital evaluations and conversion to Resposable™ products
- Leveraging strong relationships with major commercial partners for greater product penetration and access to innovative developments such as robotic surgery
- Investment in sales & marketing teams to take advantage of pent-up demand
- Capex on equipment to build and enhance manufacturing capabilities
- Regulatory progress on track towards Medical Device Regulation (MDR) certification by May 2023

Financial highlights:
- Revenues increased by 44% in 2021 to £9.13m (2020: £6.33m) and amounted to 85% of the comparable pre-pandemic period in 2019 (£10.73m)[1]
- Underlying gross margin (before net manufacturing cost) slightly lower but remained within target range at 42.3% (2020: 44.4%)
- Adjusted EBITDA[2] profit of £0.50m (2020: loss of £0.66m, 2019: £ 1.45m[1])
- Adjusted Operating loss before tax[2] of £0.33m (2020: loss of £1.61m, 2019: £0.38m[1])
- Adjusted EPS amounted to a loss[2] of 0.022p per share (2020: loss of 0.19p; 2019: earnings of 0.05p) per share[1]
- Inventory levels optimised due to supply chain issues; net cash used in operations managed at £0.43m (2020: net cash generated of £1.04m)
- Net cash[3] at end of period of £1.76m (as at 31 Dec 2020: £3.10m)

Current trading and outlook:
- Impact of Omicron Covid-19 variant less severe than anticipated despite healthcare staff shortages in some markets
- Revenue for the first two months of the current year is approximately 40% higher than the corresponding periods of 2021 and slightly ahead of pre-pandemic levels of 2019
- The Group continues to trade profitably at the level of adjusted EBITDA, supported by further growth in new product development and sales and marketing investment
- Debt refinancing completed March 2022 to provide additional headroom and flexibility for future investment

1. *Comparative information is shown for the year ended 31 December 2020, except where otherwise stated. Further*

comparative information for the year ended 31 December 2019 has been included to provide a pre-pandemic benchmark for trading.

2. *Adjusted EBITDA, adjusted operating (loss)/ profit tax and Adjusted EPS are stated before deducting non-recurring exceptional costs of £0.08m (2020:£0.11m, 2019:£0.18m), impairment of intangible costs of £0.15m (2020:£0.18m,2019:£0.63m), amortisation of intangible acquisition costs £nil (2020:£0.16m, 2019:£0.35m), goodwill impairment of £nil (2020:£1.13m, 2019:£1.63m) and share based payment costs of £0.03m (2020:£0.12m,2019:£0.19m).*

3. *Net cash equals cash less bank debt only.*

Chairman of Surgical Innovations, Nigel Rogers said:

"Trading in the first two months of the current year is approximately 40% higher than the corresponding periods of 2021 and slightly ahead of pre-pandemic levels of 2019. This would indicate a more normalised level of trading for the rest of the year with the return of elective surgery.

"Despite the Omicron Covid-19 variant causing healthcare staff shortages in some markets, the impact has been less severe than anticipated. The UK market continues to be strong and is trending ahead of pre-pandemic levels and, as patient waiting lists continue to rise, it is likely that this momentum will continue. Demand in the European and the Rest of the World markets is steadily increasing but remains more muted. However, both the US and APAC markets continue to grow significantly ahead of pre-pandemic levels.

"In addition, we are committed to enhancing and expanding our product portfolio through new product launches, investing in sales and marketing to drive our sustainability messaging, and developing key partnerships, all of which will further support the expansion of revenue in 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, and exported widely through a global network of trusted distribution partners. Many of our products in this field are based on a "resposable" concept, in which the products are part reusable, part disposable, offering a high quality and environmentally responsible solution at a cost that is competitive against fully disposable alternatives.

Elemental also has exclusive UK distribution for a select group of specialist products employed in laparoscopy, bariatric and metabolic surgery, hernia repair and breast reconstruction.

In addition, we design and develop medical devices for carefully selected OEM partners 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.

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

To receive regular updates by email, please contact si@walbrookpr.com

Surgical Innovations Group plc

Chairman's Statement

For the year ended 31 December 2021

I am pleased to report that the Group has demonstrated resilience in another challenging year, and is well positioned to benefit strongly from the recovery expected in 2022.

Market Overview

Global healthcare provision suffered from the continuing effects of the coronavirus pandemic, with consequent delays in diagnosis and treatment of many conditions, especially those requiring elective surgery. Following a steady reduction in global case numbers from a peak in the early part of the year, the Delta variant emerged in May 2021 and by November it had spread to more than 179 countries. Its effects were most pronounced in the UK healthcare market over the early summer period, before becoming dominant in Europe by July, with the US and Japanese markets affected a few weeks later.

Markets were generally beginning to normalise into the autumn period, only to be hit once more by the emergence of the Omicron variant in November spreading very rapidly and causing further disruption. By the end of 2021, there were approximately six million patients on the NHS waiting list for consultant-led elective care, an increase of almost 50% during the pandemic. This statistic is widely believed to underestimate the backlog, as it does not capture the large number of potential patients awaiting diagnosis or referral.

These pressures have temporarily suppressed the demand for many of the products the company supplies to UK hospitals and via overseas distribution. On each occasion that Covid caseloads have diminished, there has been a rapid recovery in demand with a consequent uplift in revenues, with associated challenges in managing inventory and manufacturing planning. As the effects of the Omicron wave recede, and with almost two thirds of the world's population having received at least one dose of approved vaccine, we anticipate a strong recovery in healthcare provision in 2022 in all major markets and a return to a new normality.

Despite these abnormal market fluctuations, there has been a positive underlying trend in new business wins, mostly as a consequence of the demonstrable sustainability advantages of our Resposable™ product ranges. Sustainability continues to be a key growth driver and this has continued in 2022 with successful evaluations with some major accounts, this is against a backdrop where hospital evaluations understandably have taken longer to complete due to the stop/start nature of elective surgery.

Financial Overview

Revenues recovered to 85% of the level achieved in 2019 (hereinafter "pre-pandemic levels") at £9.13m, an increase of 44% compared with the prior year (2020: £6.33m). There was marked improvement in the second half of the year, and especially in the final quarter where sales were at pre-pandemic levels.

Underlying trading margins were within target range of 40-45% of revenues, although the under-recovery of factory overheads at reduced activity levels reduced the reported gross margin to 34.3%, much improved on the 2020 level of 20.1%. As revenues and factory activity levels normalise, it continues to be a realistic goal to fully recover factory overheads without diluting reported margins.

Operating expenses were kept under control, such that the Group delivered a positive Adjusted EBITDA[1] of £0.50m compared with a loss of £0.33m in 2020 and an Adjusted EBITDA[1] of £1.45m pre-pandemic. The Adjusted Loss Before Taxation[1] amounted to £0.33m compared with £1.61m in 2020 and a profit of £0.38m pre-pandemic. Adjusted Earnings Per Share[1] amounted to a loss of 0.022 pence (2020: 0.19p; 2019: earnings of 0.05p).

The strong recovery in revenues towards the end of the year prompted a managed reflation of working capital with an increase in trade receivables and inventory of £1.24m in the year (with £0.81m in the second half of the year) to £1.40m and £2.97m respectively. These end-of-year amounts are comparable with pre-pandemic levels (2019: £1.95m and £2.93m respectively) and are considered sufficient to support the ongoing needs of the business into 2022. Net cash at the end of the year amounted to £1.76m (as at 31 December 2020: £3.10m).

Since the end of the year, the Group has agreed re-arranged borrowing facilities with its principal bankers, replacing the existing facility of £2.3m with a combined invoice discounting and CBIL loan facility of £2.5m. Financial headroom as at 31 December 2021 was £4.06m, compared with £5.78m at 31 December 2020. The directors are satisfied that this reduced headroom is appropriate given the significantly lower risk environment and the increased level of working capital available in the ordinary course of business.

1. Reconciliation to adjusted KPI measures included in the Operating and Financial Review

Board and management structure

The Board was pleased to announce the appointment of Charmaine Day FCCA as Chief Financial Officer in November 2021, following two years during which she had taken responsibility for all financial aspects of the management of the Group, and four years as Company Secretary.

At around this time, the directors undertook a review to determine the appropriate board structure to fulfill the future strategic and governance needs of the business. The review concluded that the board should be reduced to five directors, comprising three non-executive directors (including an independent chair and senior independent director), and two executive directors, being the Chief Executive Officer (CEO) and the CFO. As part of this planned process, Adam Power stepped down from the Board on 31 December 2021, and I take this opportunity to express our sincere thanks for his major contribution to the Company's performance in recent years.

Alistair Taylor had also signaled his intention to step down from the board at the same time, but regretfully, Alistair passed away on 12 December 2021. The directors are grateful for his involvement since joining the board in 2016, and were saddened to hear of his passing. The composition of the non-executive complement of the Board remains under review, and further evolution is anticipated by the end of 2022.

Of equal importance to the future of the Group was to continue building a strong executive management team comprising the CEO, CFO and senior heads of operations, sales and regulatory affairs. This complement is now complete, and the Board has every confidence that our leadership team has the skills, experience and capacity to lead the business to the next level of success.

Strategy and Development

The Group specialises in the design, manufacture, sale and distribution of innovative, high quality medical products, primarily for use in minimally invasive surgery. 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. We 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.

New Product Development

New product development has been a key focus for the business during 2021 and the first new product, YelloPort™Elite 5mm ('access device'), was launched in February 2022 and the Optical Trocar for this device will be available in Q2. The access device was successfully developed in collaboration with CMR Surgical (CMR), the first partnership with them. The device is designed to function effectively with robotic instrumentation and will provide opportunities as the utilisation of robotics continues to grow. The access device also dovetails with specific market requirements in the USA and Japan.

The project with CMR provides an opportunity to develop greater partnerships in robotic surgery and utilise our existing expertise in access devices, instrumentation and flex technology.

In addition, a range of LogiGrasp and Dissect are anticipated to be launched in Q3 which will enhance the Logi Range of instrumentation.

Third Party Relationships

Our growing relationship with CMR has obviously impacted the strategic partnership with DistalMotion and we are supporting them as they move to a direct sales model in the UK. The recent acquisition of Venclose by Beckton Dickerson and the uncertainty around the future direction of this product has allowed us to direct our resources in more productive product areas.

Our existing 3rd Party partnerships with Microline and Peters Surgical have been fortified by reciprocal agreements in the USA and India respectively.

Current trading and outlook

Trading in the first two months of the current year is approximately 40% higher than the corresponding periods of 2021 and slightly ahead of pre-pandemic levels of 2019. This would indicate a more normalised level of trading for the rest of the year with the return of elective surgery.

Despite the Omicron Covid-19 variant causing healthcare staff shortages in some markets, the impact has been less severe than anticipated. The UK market continues to be strong and is trending ahead of pre-pandemic levels and, as patient waiting lists continue to rise, it is likely that this momentum will continue. Demand in the European and the Rest of the World markets is steadily increasing but remains more muted. However, both the US and APAC markets continue to grow significantly ahead of pre-pandemic levels.

In addition, we are committed to enhancing and expanding our product portfolio through the new product launches, investing in sales and marketing to drive our sustainability messaging, and developing key partnerships, all of which will support the further expansion of revenue in 2022 and beyond.

Nigel Rogers
Chairman
23 March 2022

Operating and Financial Review

Operational overview

Regulatory
Transition to Medical Device Regulation (EU) 2017/745 (MDR) remains the key priority for the business and the Group continues to be on track for completion in March 2023. The MDR process has required significant investment in people and process impacting all areas of the business. However, whilst it is clear that these regulatory requirements will continue to be part of the medical device landscape, it will raise the bar to market entry providing an opportunity to those with the regulatory expertise to navigate MDR. The controlled progress on MDR and regulatory approvals validates the investment in people made in QA/RA during 2019 and 2020 and we have continued to invest in the current year.

Sales and Marketing
The Executive team was further strengthened in July 2021 with the appointment of Damian Donnelly as Group Sales and Marketing Director. Damian joined the Company with excellent industry experience and a very strong marketing pedigree. The Executive team is well supported by the next layer of management who have responded very positively to the challenges faced over the last year.

As global markets reopen the Group has responded to the opportunity this presents by further investment in sales and marketing resources. The appointment of two International Sales Managers will allow us to consolidate the 2021 initiatives in key markets and provide the bandwidth to open strategic new markets. The UK team has been strengthened by the appointment of a National Accounts Manager to focus on the Private/NHS waiting list initiative work, as well as improving communication with the NHS Supply Chain. A new Marketing Manager and Marketing Communications Assistant will further finesse our sustainability messaging for UK and global markets.

Manufacturing and facility investment
Capital expenditure, highlighted in September, to improve manufacturing efficiency and operational capacity is well underway with the first CNC Lathe being installed and commissioned in February 2022. Additional injection moulding capacity is being built to allow us to bring more production in-house and manage the anticipated increase in volumes of both YelloPort™ Elite and YelloPort™ Elite 5mm.

Supply chain
Supply chain logistics remain a challenge for most organisations and has necessitated the additional inventory at year end to ensure that we were well placed to meet any increase in demand. Inflationary pressures on the cost of raw materials and distribution products have also been challenging, however mitigating action has been taken to offset these effects through cost reduction activity and increases in selling prices.

Financial overview

As global healthcare providers return to normal activity levels following the Covid-19 pandemic and to understand the nature of this impact, the board references the financial year ending 2019 as a comparative period being the last pre-pandemic year as a measure of recovery.

Revenue

Overall revenues increased by 44.2% in 2021 to £9.13m. This compares with the full year revenues of £6.3m in 2020 and £10.7m in 2019 as a pre-pandemic comparative. Sales of £4.91m in the second half of the year were 16.4% higher than the first half of the year in 2021 (2021 H1: £4.21m) and at

87.6% of relatively normal levels in the second half of the year based on the comparative 2019 period (2019 H2: £5.63m).

Revenues from the sale of Surgical Innovations Brand products increased by 41.1% to £4.81m (2020: £3.41m) during the year and compared to 2019 are at 82.4% of normal relative levels (2019: £5.84m), however revenues for the second half year decreased by 5.7% from the first half of the year mainly from the US and APAC regions.

At the start of the year, the UK market saw a number of NHS trusts reduce or postpone elective surgery during the second wave of the pandemic. In the second half of the year recovery was stronger, increasing by 24% from the first half. With the continued backlog of patients on waiting lists and the NHS's fulfilment of the 'Net-Zero' obligations on sustainability, the SI Branded Resposable® range is well positioned for further recovery and future growth.

Revenues from the US in the first half continued to be strong despite the pandemic, with substantial stocking orders in the first quarter. Sales activity levels in hospitals continued to return to normal as the US team made progress with significant general procurement organisations ("GPOs") and healthcare providers as operating rooms ("OR") become accessible. New evaluations continued but there have been some states where access remains restricted as a result of Covid challenges. Overall US SI branded sales increased by 51.1% from 2020 which was at 71.9% of the comparative pre-pandemic levels (2021: £1.33m; 2020: £0.88m; 2019: £1.85m). The distribution agreements signed at the beginning of the year have had a slower start than anticipated, but are set to provide a significant opportunity for growth.

SI Brand revenues from the APAC region, similarly to the US, showed a strong start to the year with substantial stocking orders in the first quarter. APAC sales increased by 8.8% from 2020, however this region has seen significant growth since 2019 (2021: £0.74m, 2020: £0.68m, 2019: £0.46m). SI Brand sales in the Rest of the World were up by 52.2% from 2020, but remained relatively low at 54.7% of pre-pandemic levels; this region is typically made up of tender-based business and this market has been impeded by the pandemic (2021: £0.35m, 2020: £0.23m, 2019: £0.64m).

Total OEM revenues nearly doubled from 2020 by 96.7% (2021: £1.20m; 2020: £0.61m; 2019: £1.79m). With our key OEM partners in the medical sector experiencing similar pressures to those in our own portfolio, there was a slow start to the year, and the significant orders for non-medical products delivered in 2018 and 2019 were not repeated this year. In the second half of the year the recovery improved significantly against the first and saw revenue levels at similar levels to the 2019 comparative period (2021 HY2: £0.75m, 2019 HY2: £0.79m). This level of activity has continued into early 2022 and is anticipated to grow further in 2023.

Distribution sales increased by 35.1% from 2020 and are now back at 2019 levels (2021: £3.12m, 2020: £2.31m, 2019: £3.10m). Despite the slower start to the UK distribution market, the revenue levels have fully recovered as anticipated and this has continued into early 2022 despite the concerns of the Omicron variant. The product portfolio has a wider range which meets the increased demands of other specialisms such as Bariatric surgery.

Margins

Underlying gross margins (before net manufacturing costs) remained within target range at 42.3% (2020: 44.4%) with reportable direct gross profit margin also improved but still below target at 34.3% (2020: 20.1%). The direct gross margin is still being affected by the increased net manufacturing costs, driven by overall reduced levels of factory output and, in particular, the additional challenges with increasing costs of people and the reduction of available skilled labour resource affecting overall capacity.

Analysis of gross margin

The Group has disaggregated margins in the following table:

	2021 £'000	2020 £'000
Revenue	**9,126**	6,329
Cost of Sales	(5,268)	(3,519)
Underlying Gross Margin	**3,858**	2,810
Underlying Gross Margin %	42.28%	44.39%
Net Cost of Manufacturing[1]	(727)	(1,538)
Contribution Margin	**3,131**	1,272
Contribution Margin %	34.31%	20.10%

1. *Underlying net cost of manufacturing with the government support of the CJRS scheme of £2,000 (2020: £270,000) allocated in other income added back to adjust the net costs of Manufacturing to £725,000 (2020: £1,148,000) results in an underlying contribution margin of 34.33% (2020: 26.26%).*

Use of adjusted measures

Adjusted KPIs are used by the Board to understand underlying performance and exclude items which distort comparability, as well as being consistent with broker forecasts and measures. The method of adjustments are consistently applied but are not defined in International Financial Reporting Standards (IFRS) and, therefore, are considered to be non-GAAP (Generally Accepted Accounting Principles) measures. Accordingly, the relevant IFRS measures are also presented where appropriate.

Key Performance Indicators ("KPIs")

The Group considers the key performance indicators of the business to be:

		2021	**2020**	**Target Measure**
Underlying Gross Profit Margin	Gross profit (before net manufacturing cost)/ revenue	42.3%	44.4%	>40%
Direct Gross Profit Margin	Gross profit / revenue	34.3%	20.1%	>40%
Net Cash/(Net Debt)[1]	Cash less debt	£1.76m	£3.10m	N/A

1. *Net debt comprised of bank borrowings (£1.8m), excluding leases under the adoption of IFRS16.*

Reconciliation of adjusted KPI / measures

	EBITDA[2]	**Loss before taxation**
As stated	£0.39m	£(0.59)m
Impairment of product development intangibles	-	£0.15m
Share based payments	£0.03m	£0.03m
Exceptional items	£0.08m	£0.08m
Adjusted Measure	£ 0.50m	£(0.33)m

2. *EBITDA is defined as earnings before interest, taxation, depreciation and amortisation (including impairment). EBITDA is calculated as operating loss of £(0.46)m adding back depreciation £0.45m, amortisation £0.25m and impairment £0.15m.*

Earnings per share	**EPS**
Basic EPS	(0.049)p
Loss attributable to shareholders	£(0.46)m
Add: Share based payments	£0.03m
Add: Exceptionals	£0.08m
Add: Impairment of product development intangibles	£0.15m
Adjusted profit attributable to shareholders	£(0.20)m
Adjusted EPS	(0.022)p

Adjusted EBITDA

Adjusted EBITDA is a measure of the business performance. The Group uses this as a proxy for understanding the underlying performance of the Group. This measure also excludes the items that distort comparability including the charge for share-based payments as this is a non-cash expense normally excluded from market forecasts.

Adjusted EBITDA significantly increased in 2021 to a profit of £0.50m in line with expectations (2020 loss of: £0.66m), mainly as a result of the recovery from pandemic. Operating expenses were lower in the first half of the year due to reduced sales and marketing costs, this increased by 23.6% in the second half of the year (2021HY: £1.62m, 2021HY2: £2.00m). With the focus to gradually increase UK sales heads back to normal levels as revenue recovers and increase headcount in regulatory with MDR (Medical Device Regulation) certification due in May 2023.

Exceptional items relate to employee termination payments and relocations costs amounting to £78,000 (inclusive of NI and legal fees).

Capital expenditure on tangible assets increased with the investment into new tooling for the new product launch set for early 2022 (2021: £0.21m, 2020 £0.04m) set against a depreciation charge of £0.26m excluding Right of use assets (2020: £0.35m). Capex plans continued to be reviewed with the intention to improve the manufacturing facilities as a continuation of the improvements that were started in 2019. The Group has committed to an additional £0.16m on a new CNC lathe due in February 2022 with a new injection moulder to follow shortly after.

Investment into new product development has increased significantly as part of the strategy announced alongside the fundraise in 2020. Cash into development expenditure was £0.45m (2020: £0.13m). Capitalised development expenditure was tested for impairment. Management has reviewed the remainder of costs for the Illuminated devices and with the focus on advancing new products under MDD (the Medical Device Directive) instead of MDR, the project timeframe had been pushed out into 2024. This reflects how the commercial market landscape has changed and may continue to change. With the delayed timeframe for completion, it was decided that the nature of these costs provide no future economic benefit, and an impairment of £0.15m has therefore been recognised.

A review of the goodwill arising on the acquisition of Elemental Healthcare was tested for further impairment. The trading environment in the UK market was significantly impacted by the pandemic throughout 2020 and this continued into 2021, which impacted the cumulative impairment by

£2.76m. In the second half of 2021 the UK market showed strong signs of recovery, and this has continued into early 2022. With greater visibility on the outlook, the Directors anticipate improved forecasting of future net inflows on this CGU and, on this basis, the recoverable amount of the cash-generating unit would exceed its carrying value by £2.94m.

Inventory holdings increased significantly throughout the year by £0.80m to £2.96m (2020: £2.17m). Starting the year with minimal inventory levels and a planned reflation (2021HY1: £2.36m), moving into the second half of the year the Group was impacted by UK and international supply chain issues. Inventory levels were optimised in order to manage lead times, inflationary pressures on minimum order quantities and increased activity. Safety stock levels continue to be reviewed and monitored in the current year in order to support customer requirements and generate cash as the working capital cycle stabilises.

Trade receivables were higher at the year-end £1.4m (2020: £0.96m), affected by the increased revenue, with negligible bad debts or overdue balances. Trade creditors increased over the same period, which reflected the Group's optimisation of working capital (2021: £1.09m; 2020: £0.75m).

Net cash used in operations was £0.43m (2020 generated from: £1.04m), primarily as a result of the increased optimisation of working capital movements described above. The Group closed the year with net cash balances of £1.76m (excluding leases) compared with opening net cash of £3.10m.

Bank borrowings of £1.88m comprising of £1.50m Coronavirus Business Interruption Loan Scheme (CBILS) and the existing loan facilities £0.38m resulted in interest obligations of £0.07m (2020: £0.07m). Both loans were due to be repaid in May 2022. In March 2022 the board refinanced the existing debt including the additional undrawn revolving credit facility of £0.5m and replaced it with an invoice discounting facility of £1.00m and in addition extended the CBILS loan to May 2026. At the time of audit sign off on the approval of the accounts, the CBILS extension was complete, and the invoice discounting agreement was credit approved and progressing. The refinance provides greater flexibility than the existing debt and continues to provide ample headroom for the Group.

The Group recorded a corporation tax credit of £0.13m (2020: credit of £nil) and a deferred tax credit of £nil (2020: credit £0.03m). The tax charge on Elemental Healthcare has been relieved through Group losses. 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. During the year, the Group submitted an enhanced Research and Development claim in respect of 2020 amounting to £0.13m. This claim has been paid in the current year and therefore has not been recognised in the 2021 accounts.

Principal risks and uncertainties

The management of the business and the nature of the Group's strategy are subject to a number of risks which the Directors seek to mitigate wherever possible. The principal risks are set out below.

Issue	Change vs. prior year	Risk and description	Mitigating actions
Funding risk	At same level	The Group currently has a mixture of borrowings comprising a £0.38m loan, £0.5m rolling credit facility and £1.5m CBILS arrangement. The Group remains dependent upon the support of these funders and there is a risk that failure in particular to meet covenants attaching to the rolling credit facility could have financial consequences for the Group.	Liquidity and covenant compliance is monitored carefully across varying time horizons to facilitate short term management and also strategic planning. This monitoring enables the management team to consider and to take appropriate actions within suitable time frames. In aggregate total borrowing at 31 December 2021 was £1.88m (2020: £2.18m). Financial covenants were amended to reflect the current trading in September 2021 to a £3m gross cash balance, this will continue to be tested on a monthly basis until the term of the loan which at the point of refinance. In March 2022 the board refinanced the existing debt including the additional undrawn revolving credit facility of £0.5m and replaced it with an invoice discounting facility of £1m and in addition extended the CBILS loan to May 2026. The refinance provides greater flexibility than the existing debt and continues to provide ample headroom for the Group. At the time of audit sign off on the approval of the accounts, the CBILS extension was complete, and the invoice discounting agreement was credit approved and progressing.
Covid-19 and business interruption	Reduced	The escalation in the spread of Covid-19 and various variants in the UK poses a threat to the continuation of business operations if there is a widespread infection in any of our facilities or amongst the workforce.	All government guidance has been monitored closely and followed immediately by advisory notices to all employees, and provision of the appropriate guidance and cleaning materials to minimise any effect. Where staff members have presented symptoms and tested positive either by lateral flow or PCR, they have been asked to immediately self-isolate and inform us quickly of any contact with other employees which may be cause for concern. There is also a risk of further reduction in elective surgery either by reduced levels of surgery or being postponed. Whilst the various variant waves in the pandemic continue, management continues to monitor closely the rapidly changing environment and has devised a series of mitigating actions, designed to maintain delivery of essential products to our customers and distributors. The majority of the workforce can work from home if necessary to safeguard other employees.

Customer concentration	At same level	The Group exports to over thirty countries and distributors around the world, but certain distributors are material to the financial performance and position of the Group. As disclosed in note 2 to the financial statements, one customer accounted for 11.5% of revenue in 2021 and the loss, failure or actions of this customer could have a severe impact on the Group.	The majority of distributors, including the most significant, are well established and their relationship with the Group spans many years. Credit levels and cash collection is closely monitored by management, and issues are quickly elevated both within the Group and with the distributor.

Issue	Change vs prior year	Risk and description	Mitigating actions
Foreign exchange risk	At same level	The Group's functional currency is UK Sterling; however, it makes significant purchases in Euros and US Dollars. The US Dollars and Euros are generally mitigated by US Dollar sales by creating a natural hedge.	The Group monitors currency exposures on an on-going basis and enters into forward currency arrangements where considered appropriate to mitigate the risk of material adverse movements in exchange rates impacting upon the business. Euro and US Dollar cash balances are monitored regularly and spot rate sales into sterling are conducted when significant currency deposits have accumulated. The accounting policy for foreign exchange is disclosed in accounting policy 1d.
Regulatory approval	Increased	As an international business a significant proportion of the Group's products require registration from national or federal regulatory bodies prior to being offered for sale. The majority of our major product lines have FDA approval in the US and we are therefore subject to their audit and inspection of our manufacturing facilities. There is no guarantee that any product developed by the Group will obtain and maintain national registration or that the Group will always pass regulatory audit of its manufacturing processes. Failure to do so could have severe consequences upon the Group's ability to sell products in the relevant country.	The Group has a dedicated Compliance department which assists product development teams with support as required to minimise the risk of regulatory approval not being obtained on new products and ensures that the Group operates processes and procedures necessary to maintain relevant regulatory approvals. Whilst there is no guarantee that this will be sufficient, the Group has invested in people with the appropriate experience and skills in this area which mitigates this risk significantly. We have increased resource into the regulatory team and continue to do in 2022 to ensure internal deadlines are met.

Brexit	At same level	The Group exports to a number of different countries with sales to Europe accounting for 11.7% of 2021 revenue. As well as exporting, the Group imports goods both for re-sale through Distribution revenue, as well as some raw materials used in manufacturing. The current trade rules transitioned on 1 January 2021. Transitional arrangements made between the UK and EU have caused some delay to Customs clearances due to paperwork provided by the couriers which has since been resolved. The Group continues to have delays in supply chain and inflationary pressures partly driven by Brexit but also Covid.	The Group has successfully reassigned all of the Company's product certifications from BSI Notified Body 0086 (UK) to BSI Netherlands Notified Body 2797, in order to mitigate any risk to regulatory clearance both in the EU and in the UK. Any risk from a delay in supply chain has also been mitigated by the successful application of Approved Economic Operator Status, which we received in March 2019. In addition to the above management will continue to monitor closely and mitigate where possible the impact on the supply chain.

Going concern

The Directors have prepared forecasts for the period to March 2023 based on an evaluation of financial forecasts, sensitised to reflect a rational judgement of the level of inherent risk.

At the 31 December 2021, bank borrowings for the Group were £1.88m comprising of £1.50m Coronavirus Business Interruption Loan Scheme (CBILS) and the existing loan facilities of £0.38m which resulted in interest obligations of £0.07m. Financial covenants have been complied with in full and have continued to be tested on a monthly basis. Both loans were due to be repaid in May 2022. In addition, the Group had access to a committed undrawn £0.50m revolving credit facility. Net Cash as at the 31 December 2021 was £1.76m, giving an overall headroom of £4.14m.

In March 2022 the Group refinanced the existing debt, including the additional undrawn revolving credit facility of £0.5m. The debt was replaced with an invoice discounting facility of £1.0m and an extension of the CBILS loan of £1.5m just over four years till May 2026. At the time of audit sign-off on the approval of the accounts, the CBILS extension was complete, and the invoice discounting agreement was credit approved and progressing. The refinancing provides greater flexibility for further investment in terms of covenant testing than the prior debt and continues to provide ample headroom for the Group. Covenant information is provided at note 6. Financial headroom as at 31 December 2021 was £4.06m.

The Group has significant investment plans for capital expenditure on plant and machinery circa £0.6m in the next twelve months. Decisions to take additional finance in the form of hire purchase or use of the existing debt to finance projects will impact both the cash and the covenant testing and the decisions to utilise such funding will very much depend on the performance of the business.

The Board is satisfied that there is ample headroom including testing any sensitivities under reasonably possible scenarios, and the Directors conclude that it continues to be appropriate to prepare the Annual Report and Accounts on a going concern basis.

Consolidated statement of comprehensive income

for the year ended 31 December 2021

		2021	2020
		£'000	£'000
Revenue	2	**9,126**	6,329
Cost of sales	2	**(5,995)**	(5,057)
Gross profit		**3,131**	1,272
Other operating expenses	2	**(3,611)**	(5,063)
Other Income	3	**25**	621
Operating loss		**(455)**	(3,170)
Finance costs		**(130)**	(138)
Finance income		**-**	1
Loss before taxation		**(585)**	(3,307)
Taxation credit		**129**	31
Loss and total comprehensive Income		**(456)**	(3,276)
(Loss) per share, total and continuing			
Basic	4	**(0.05p)**	**(0.33p)**
Diluted	4	**(0.05p)**	**(0.33p)**

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

Loss and total comprehensive income relate wholly to the owners of the parent Company.

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Share capital £'000	Share premium £'000	Capital reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2020	7,953	5,904	329	1,250	(3,244)	12,192
Share based payment	-	-	-	-	116	116
Issue of share capital	1,375	825	-	-	-	2,200
Equity based placing fees	-	(142)	-	-	-	(142)
Total – transactions with owners	1,375	683	-	-	116	2,174
Loss and total comprehensive income for the period	-	-	-	-	(3,276)	(3,276)
Balance as at 31 December 2020	**9,328**	**6,587**	**329**	**1,250**	**(6,404)**	**11,090**
Share based payment	-	-	-	-	30	30
Total – transactions with owners	-	-	-	-	30	30
Loss and total comprehensive income for the period	-	-	-	-	(456)	(456)
Balance as at 31 December 2021	**9,328**	**6,587**	**329**	**1,250**	**(6,830)**	**10,664**

Consolidated balance sheet
at 31 December 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Property, plant and equipment		**366**	412
Right of use assets		**832**	1,030
Intangible assets	5	**6,216**	6,173
		7,414	7,615
Current assets			
Inventories		**2,965**	2,167
Trade and other receivables		**1,695**	1,283
Cash at bank and in hand		**3,644**	5,278
		8,304	8,728
Total assets		**15,718**	16,343
Equity and liabilities			
Equity attributable to equity holders of the parent company			
Share capital	8	**9,328**	9,328
Share premium account		**6,587**	6,587
Capital reserve		**329**	329
Merger reserve		**1,250**	1,250
Retained earnings		**(6,830)**	(6,404)
Total equity		**10,664**	11,090
Non-current liabilities			
Borrowings	6	**-**	1,879
Deferred tax liabilities		**-**	-
Dilapidation provision		**165**	165
Lease liability		**750**	907
		915	2,951
Current liabilities			
Trade and other payables	7	**1,614**	1,449
Accruals		**488**	
Borrowings		**1,880**	298
Lease liability		**157**	186
		4,139	2,302
Total liabilities		**5,054**	5,253
Total equity and liabilities		**15,718**	16,343

Consolidated cash flow statement
for the year ended 31 December 2021

		2021	2020
		£'000	£'000
Cash flows from operating activities			
Loss after tax for the year		**(456)**	(3,276)
Adjustments for:			
Taxation		**(129)**	(31)
Finance income		**-**	(1)
Finance costs		**130**	138
Other Income-CBILS interest grant	3	**(23)**	(27)
Depreciation of property, plant and equipment		**258**	348
Amortisation and impairment of intangible assets	5	**402**	1,726
Depreciation Right of Use assets		**187**	211
Share-based payment charge		**30**	116
Foreign exchange		**12**	42
(Increase)/decrease in inventories		**(802)**	758
(Increase)/decrease in trade and other receivables		**(412)**	1,076
Increase/(decrease) in payables	**7**	**276**	(10)
Cash (used in)/generated from operations		**(527)**	1,070
Taxation received		**129**	-
Interest paid		**(35)**	(28)
Net cash (used in)/generated from operating activities		**(433)**	1,042
Payments to acquire property, plant and equipment		**(212)**	(42)
Acquisition of intangible assets		**(445)**	(113)
Net cash used in investing activities		**(657)**	(155)
Repayment of bank loan		**(300)**	(150)
Proceeds from CBILS	6	**-**	1,500
Net proceeds from issue of share capital	8	**-**	2,052
Repayment of lease liabilities		**(232)**	(251)
Net cash (used in)/generated from financing activities		**(532)**	3,151
Net (decrease)/increase in cash and cash equivalents		**(1,622)**	4,038
Cash and cash equivalents at beginning of year		**5,278**	1,282
Effective exchange rate fluctuations on cash held		**(12)**	(42)
Cash and cash equivalents at end of year		**3,644**	5,278

Notes to the consolidated financial statements

1. Group accounting policies under IFRS
(a) Basis of preparation

Surgical Innovations Group PLC (the "Company") is a public AIM listed company incorporated, domiciled and registered in England in the UK. The registered number is 02298163 and the registered address is Clayton Wood House, 6 Clayton Wood Bank, Leeds, LS16 6QZ.

The consolidated financial statements have been prepared in accordance with the requirements of the Companies Act 2006' with 'UK-adopted international accounting standards 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.

Going concern
The Directors have considered the available cash resources of the Group and its current forecasts and has a reasonable expectation that the Group have adequate cash 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. Further details of the Directors' assessment are provided in the Chairman's Statement, the Operating and Financial Review and Directors' report and disclosed in note (p) of the financial statements.

2. Segmental reporting

Information reported to the Board, as Chief Operating Decision Makers, 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 medical device companies through either own label or co-branding. As well as Precision Engineering, this includes the research, development, manufacture and sale of minimally invasive technology products for precision engineering applications
Distribution	-	Distribution of specialist medical products sold through Elemental Healthcare Ltd

The measure of profit or loss for each reportable segment is gross margin less 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 a reconciliation between the information used by the chief operating decision maker within the business and the information as it is presented under IFRS.

Year ended 31 December 2021	SI Brand £'000	Distribution £'000	OEM £'000	Total* £'000
Revenue	**4,813**	**3,116**	**1,197**	**9,126**
Expenses	(3,770)	(1,837)	(790)	(6,397)
Result				
Segment result	**1,043**	**1,279**	**407**	**2,729**
Unallocated expenses				**(3,209)**
Other Income				**25**
(Loss) from operations				**(455)**
Finance income				**-**
Finance costs				**(130)**
(Loss) before taxation				**(585)**
Tax credit				**129**
(Loss) for the year				**(456)**

*There were no revenues transactions between the segments during the year

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

Year ended 31 December 2021	SI Brand £'000	Distribution £'000	OEM £'000	Total £'000
Amortisation of intangible assets	257	-	-	257
Impairment of intangible assets	145	-	-	145

Unallocated expenses for 2021 include sales and marketing costs (£246,000), research expenses (£973,000), central overheads (£797,000), Direct (Elemental Healthcare) sales & marketing overheads (£1,085,000), share based payments (£30,000), exceptionals (£78,000) note 3.

Year ended 31 December 2020	SI Brand £'000	Distribution £'000	OEM £'000	Total* £'000
Revenue	3,410	2,311	608	6,329
Expenses	(3,681)	(2,703)	(399)	(6,783)
Result				
Segment result	(271)	(392)	209	(454)
Unallocated expenses				(3,337)
Other income				621
(Loss) from operations				(3,170)
Finance income				1
Finance costs				(138)
(Loss) before taxation				(3,307)
Tax charge				31
(Loss) for the year				(3,276)

*There were no revenues transactions between the segments during the year

Included within the segment results are the following items:

Year ended 31 December 2020	SI Brand £'000	Distribution £'000	OEM £'000	Total £'000
Amortisation of intangible assets	250	162	-	412
Impairment of intangible assets	182	1,132	-	1,314

Unallocated expenses for 2020 include sales and marketing costs (£185,000), research expenses (£1,099,000), central overheads (£790,000), Direct (Elemental Healthcare) sales & marketing overheads (£1,039,000), share based payments (£116,000), exceptionals (£108,000) Note 3.

Analysis of gross margin

The Group has disaggregated margins in the following table:

	2021 £'000	2020 £'000
Revenue	**9,126**	6,329
Cost of Sales	(5,268)	(3,519)
Underlying Gross Margin	**3,858**	2,810
Underlying Gross Margin %	42.28%	44.39%
Net Cost of Manufacturing*	(727)	(1,538)
Contribution Margin	**3,131**	1,272
Contribution Margin %	34.31%	20.10%

*Underlying net cost of manufacturing with the government support of the CJRS scheme of £2,000 (2020: £270,000) allocated in other income added back to adjust the net costs of Manufacturing to £725,000 (2020: £1,148,000) results in an underlying contribution margin of 34.33% (2020:26.26%).

Disaggregation of revenue

The Group has disaggregated revenues in the following table:

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

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

1. *Asia-Pacific*

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

destination of use. During 2021 £1,050,000 (11.5%) of the Group's revenue depended on one distributor in the SI Brand segment (2020: £708,000 (11.2%)).

Sales of goods were £9,062,000 (2020: £6,307,000) and sales relating to services in the UK were £64,000 (2020: £22,000).

3. Other Income comprised:

	2021	2020
	£'000	£'000
CJRS	**2**	594
CBILS-Interest free (12mths)	**23**	27
	25	621

Other Income disclosed above relates to amounts received from the Coronavirus Job Retention Scheme (CJRS). As part of the response to the COVID-19 pandemic the government introduced the CJRS. This allowed all employees on a PAYE scheme to designate some or all employees as 'furloughed workers'. The Group accessed this Government support in order to continue paying part of the furloughed employees' salaries and at the same time protecting them from potential redundancy.

The Group claimed £2,000 through CJRS during 2021 (2020: £594,000).

4. Earnings per ordinary share

Basic earnings per ordinary share
The calculation of basic earnings per ordinary share for the year ended 31 December 2021 was based upon the loss attributable to ordinary shareholders of (£456,000) (2020:(£3,276,000)) and a weighted average number of ordinary shares outstanding for the year ended 31 December 2021 of 936,564,122 (2020: 834,762,898).

Diluted earnings per ordinary share
The calculation of diluted earnings per ordinary share for the year ended 31 December 2021 was based upon the loss attributable to ordinary shareholders of (£456,000) (2020: (£3,276,000)) and a weighted average number of ordinary shares outstanding for the year ended 31 December 2021 of 938,784,384 (2020: 836,824,355). 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.

Adjusted earnings per ordinary share
The calculation of adjusted earnings per ordinary share for the year ended 31 December 2021 was based upon the adjusted (loss)/profit attributable to ordinary shareholders (profit before exceptional and amortisation and impairment costs relating to the acquisition of Elemental Healthcare, impairment of capitalised development costs and share based payments) of (£203,000) (2020: £1,576,000) and a weighted average number of ordinary shares outstanding for the year ended 31 December 2021 of 936,564,122 (2020: 834,762,898).

No. of shares used in calculation of earnings per ordinary share ('000s)

	2021 No. of Shares	2020 No. of Shares
Basic earnings per share	**936,564**	834,763
Dilutive effect of unexercised share options	**2,220**	2,061
Diluted earnings per share	**938,784**	836,824

5. Intangible assets

	Capitalised development costs	Single use product knowledge transfer	Goodwill	Exclusive Supplier Agreements	Total
	£'000	£,000	£'000	£'000	£'000
Cost					
At 1 January 2020	13,416	225	8,180	1,799	23,620
Additions	113	-	-	-	113
Reclassification of investment in associate*	173	-	-	-	173
At 1 January 2021	13,702	225	8,180	1,799	23,906
Additions	445	-	-	-	445
At 31 December 2021	**14,147**	**225**	**8,180**	**1,799**	**24,351**
Accumulated amortisation					
At 1 January 2020	(12,520)	(225)	(1,625)	(1,637)	(16,007)
Charge for the year	(250)	-	-	(162)	(412)
Impairment provision	(182)	(225)	(1,132)	-	(1,314)
At 1 January 2021	(12,952)	(225)	(2,757)	(1,799)	(17,733)
Charge for the year	(257)	-	-	-	(257)
Impairment provision*	(145)	-	-	-	(145)
At 31 December 2021	**(13,354)**	**(225)**	**(2.757)**	**(1,799)**	**(18,135)**
Carrying amount					
At 31 December 2021	**793**	**-**	**5,423**	**-**	**6,216**
At 31 December 2020	750	-	5,423	-	6,173
At 1 January 2020	896	-	6,555	162	7,613

Goodwill and intangibles are allocated to the cash generating unit (CGU) that is expected to benefit from the use of the asset.

Capitalised development costs
Capitalised development costs represent expenditure incurred in developing new products that fulfil the requirements met for capitalisation as set out in paragraph 57 of IAS38. These costs are amortised over the future commercial life of the product, commencing on the sale of the first commercial item, up to a maximum product life cycle of ten years, and taking account of expected market conditions and penetration.

Capitalised development expenditure was tested for impairment. Management have reviewed further costs for the Illuminated devices and with the focus on advancing new products through on MDD (Medical Device Directive) instead of MDR, the project timeframe had been pushed out into 2024. A consideration of how the market landscape has changed and will continue to change with the delayed timeframe for completion it was decided that the nature of these costs provide no future economic benefit, an impairment of £0.15m has been recognised.

Goodwill
The Group tests goodwill at each reporting date for impairment and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount of a cash generating unit (CGU) is determined based on value in use calculations. These calculations use cash flow projections based on five year financial budgets approved by management. Cash flows beyond the five year period are extrapolated using estimated long term growth rates.

An impairment review is carried out annually for goodwill. Goodwill arose on the acquisition of Elemental Healthcare Limited in 2017 and is related to both the Distribution and SI Brand segments of the Group. Elemental Healthcare Limited is considered to be a separate CGU of the Group whose recoverable amount has been calculated on a value in use basis by reference to discounted future cash flows over a five year period plus a terminal value. Principal assumptions underlying this calculation are the growth rate into perpetuity of 1.5% (2020:1.5%) and a pre-tax discount rate of 13.2% (2020:15%) applied to anticipated cash flows. In addition, the value in use calculation assumes a gross profit margin of 39.5% (2020:40.6%) using past experience of sales made and future sales that were expected at the reporting date based on anticipated market conditions.

The trading environment in the UK market was significantly impacted by the pandemic throughout 2020 and continued into 2021, which impacted the cumulative impairment by £2.7m. In the second half of 2021 the UK market showed strong signs of recovery and this has continued into early 2022. With greater visibility on the outlook the directors anticipate improved forecasting of future net inflows on this CGU and on this basis, the recoverable amount of the cash-generating unit exceeds its carrying value by £2.9m.

6. Borrowings

Bank Loan	2021 £'000	2020 £'000
Current liabilities	**1,880**	298
Non-current liabilities	**-**	1,879
Lease liabilities		
Current liabilities	**157**	186
Non-current liabilities	**750**	907
	2,787	3,270

Bank loan

The bank loans provided by Yorkshire Bank consist of the following as at 31 December 2021:

- Loan A- £0.38m of the existing loan taken out over a 5 year period dating back to August 2017. Interest rate is 3% plus fixed margin (margin since October 2021, it was originally based on LIBOR rates) and repayable on a quarterly basis at £0.075m.
- RCF-A undrawn Revolving Credit Facility (RCF) of up to £0.5m for working capital and other purposes. If the RCF is drawn down the rate of interest applicable to each loan for its interest period will be 2.8% per plus a fixed margin per annum (margin since October 2021 it was originally based on LIBOR rates) and it will be secured by a floating charge over the assets of the Group.
- CBILS-£1.5m Coronavirus Business Interruption Loan Scheme (CBILS) taken out in May 2020 on interest only payable monthly which was interest free for the first twelve months at 2.28% thereafter.
- Covenants in respect of the borrowing facilities in place at the reporting date, the group is required to comply with the following financial covenants at each period end in respect of the prior 12-month period:

  EBITDA in respect of:
  - the 12 month period expiring on 31 March 2021 shall not
  - less than nil
  - the 12 month period expiring on 30 June 2021 shall not
  - be less than £200,000.

  Gross cash:
  - Should not be less than £3.00m at the end of each month from September 2021 to the end of March 2022 at the point of refinance.

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

- Invoice Discounting facility £1.0m across the Group, to replace loan A and the RCF, 2.5% on margin with a maximum of nominal administration fee of a maximum of £0.018m if not utilised.(At the time of audit sign off on the approval of the accounts, the CBILS extension was complete, and the invoice discounting agreement was credit approved and progressing.)
- Extension to the CBILS of £1.5m repayable in May 2026, Interest rate of 2.94% repayable monthly. Monthly installments are £0.029m.
- Covenants attached to the CBILS comprise of EBITDA to debt servicing costs minimum 1.25x. First test 30 June 2022 (last 6 months), then September 22 (9 months), then rolling 12m afterwards.

Changes in liabilities arising from financing activities	Non-current loans and borrowings	Current loans and borrowings	Obligations under finance leases	Total
At 1 January 2021	1,879	298	-	2,177
Cash flows	-	(350)	-	(350)
Transfer between non-current and current	(1,879)	1,879	-	-
Interest accruing in the period	-	53	-	53
At 31 December 2021	**-**	**1,880**	**-**	**1,880**

7. Trade and other payables

	2021	2020
	£'000	£'000
Trade payables	1,090	749
Corporation tax payable	-	-
Other tax and social security	230	164
Other payables	294	294
Deferred creditors	-	242
	1,614	1,449

The Group and Company's financial liabilities have contractual maturities (including interest payments where applicable) which are summarised below.

As at 31 December 2021	Amounts due in less than 1 year £'000	Amounts due in 2-5 years £'000	Amounts due in 5-10 years £'000	Total financial liabilities £'000
Trade payables	1,090	-	-	1,090
Other payables	294	-	-	294
Bank borrowings-Current	1,904	-	-	1,904
Bank borrowings-Non-current	-	-	-	-
	3,288	-	-	3,288

As at 31 December 2020	Amounts due in less than 1 year £'000	Amounts due in 2-5 years £'000	Amounts due in 5-10 years £'000	Total financial liabilities £'000
Trade payables	749	-	-	749
Other payables	294	-	-	294
Deferred creditors	242	-	-	242
Bank borrowings-Current	354	-	-	354
Bank borrowings-Non-current	-	1,904	-	1,904
	1,639	1,904	-	3,543

8. Share Capital

Shares in issue reconciliation (Authorised, allotted, called up and fully paid)

	2021	2020
Opening no of shares in issue	932,816,177	795,316,177
Issued in satisfaction of share options exercised	-	-
Issued in relation to fundraising*	-	137,500,000
Closing number of shares in issue	**932,816,177**	932,816,177

*During September 2020 the Company raised equity of £2.05m (net of associated costs) to provide investment capital and additional financial headroom.

9. Capital commitments

At 31 December 2021 the Group had capital commitments totaling £17,400 for a further down payment on tooling and £157,500 for plant and machinery (2020: nil).

Additional plant and machinery was ordered in March 2022 approximately totaling £300,000.