

## Regulatory Story

[Go to market news section](#)

**Surgical Innovations Group PLC** - SUN Final Results  
Released 07:00 12-May-2015



RNS Number : 8411M  
Surgical Innovations Group PLC  
12 May 2015

### **Surgical Innovations Group plc**

("SI" or the "Group" or the "Company")

### **Final Results**

Surgical Innovations Group plc (AIM: SUN) today announces its preliminary results for the financial year ended 31 December 2014.

#### **Summary**

- Revenue of £4.029 million (2013 restated: £7.478 million)
- EBITDA loss, adjusted to exclude exceptional items, of £52,000 (2013 restated: profit of £1.681 million)
- Exceptional items of £8.388 million, of which £7.797 million were non-cash impairment charges
- Loss before tax of £9.829 million (2013 restated: £44,000)
- Refinancing successfully completed during November 2014 comprising new investment of £1.5 million and refinancing of existing £3 million term loan
- Cash balance of £678,000 at 31 December 2014, with subsequent cash generation during Q1 2015

Doug Liversidge, Non-executive Chairman, commented:

"The financial performance for 2014 was extremely disappointing. However, the Board and staff of SI have worked tirelessly over the last six months with the key objective of restructuring the business to secure a sustainable future for the Group.

"Following a turbulent 2014, the Group now has a stronger platform to support the business over the medium term. The Board remains committed to cash generation and the Directors are satisfied with the progress made since the refinancing was announced in November 2014."

For further information please visit [www.sigroupplc.com](http://www.sigroupplc.com) or contact:

**Doug Liversidge, CBE**  
Non-Executive Chairman  
Surgical Innovations Group Plc  
Tel: 07798 892918

**Tim Feather/Liam Gribben**  
Nominated Adviser and Broker  
WH Ireland Limited  
Tel: 0113 394 6600

#### **Chairman's Statement**

The financial performance for 2014 was extremely disappointing. However, the Board and staff of SI have worked tirelessly over the last six months with the key objective of restructuring the business to secure a sustainable future for the Group.

## Financial results

Revenue for the period fell by £3.449 million to £4.029 million (2013 restated: £7.478 million). The majority of the reduction arose through sales of SI branded products which fell by £2.476 million. This was principally as a result of the previously announced plan to undertake a global de-stocking of customer inventory levels. A further £0.939 million of the overall reduction was attributable to the original equipment manufacturers (OEM) segment where we have continued to experience weakening demand from historic partners.

The operating result for 2014 was a substantial loss of £9.783 million (2013 restated: profit of £52,000). This included significant exceptional items of £8.388 million of which £7.797 million were non-cash impairment charges against capitalised development costs (£5.973 million), inventory (£1.096 million) and trade debtors (£0.728 million). Other cash exceptional items included fully expensing the cost of the now terminated Regional Growth Fund project (£0.420 million) and also restructuring costs incurred in Q4 (£0.171 million).

As a consequence of the reduction in revenue, EBITDA, excluding exceptional items, fell to a small loss of £52,000 (2013 restated: profit of £1.681 million). The loss after taxation was £9.457 million (2013 restated: profit of £128,000) and the loss per share was 2.19p (2013 restated: earnings of 0.03p).

## Funding

Against the backdrop of these challenging financial results, the Group secured two rounds of further funding. During June 2014 the Group secured equity funding of £1.578 million from Chris Rea who also accepted appointment as a Non-executive Director and Mr Rea was subsequently appointed as Interim Managing Director on 13 October 2014. In November 2014 the Group raised £0.526 million of equity funding and £1 million through a fixed rate convertible unsecured loan note from the Group's largest shareholders, Mr. Rea and Getz Bros & Co (BVI) Inc. As part of the November 2014 fundraising, Yorkshire Bank also agreed to convert its £3 million revolving credit facility into a term loan due for repayment in 2017.

## Outlook

During Summer 2014 the Board carried out a strategic review and concluded that the primary focus of the business should be cash generation and cost reduction. Substantial progress has since been made in addressing the cost base such that it is more proportionate to the level of ongoing revenue.

Cash flow has been our primary focus over this period and I am pleased to report that the cash position improved during the first quarter of 2015. In accordance with the November 2014 fundraising, we received the additional £500,000 of loan note funding during March 2015. The direct impact of de-stocking customer inventory positions is now also largely complete which has resulted in normalised levels of business on a month to month basis.

Notwithstanding the progress made in the last six months, trading profitability remains challenging. In particular, driving down our own inventory levels to maximise cash has a direct, negative impact on our manufacturing productivity.

Following a turbulent 2014, the Group now has a stronger platform to support the business over the medium term. The Board remains committed to cash generation and the Directors are satisfied with the progress made since the refinancing was announced in November 2014.

**Doug Liversidge**  
**Non-Executive Chairman**  
11 May 2015

## Operating review

As reported in the Chairman's Statement, the 2014 financial performance was very disappointing. However, substantial progress has been made in restructuring the business in the past six months which now provides a platform for moving forward.

### SI Brand

SI Brand sales fell by £2.476 million (46%) to £2.949 million (2013 restated: £5.425 million). The substantial fall compared to the prior year relates to challenges in the US market and the deliberate strategy of inventory reduction throughout the distributor network.

As reported previously, the Group experienced severe challenges within the US market. During 2013 the Group added several new distributors which resulted in initial stocking orders, however projected orders for 2014 failed to materialise as a consequence of over ambitious hospital conversion rates. To put this in context, only one of these new distributors has been retained.

However, the US market remains a key focus for the Group as it is the largest market in the world for laparoscopic surgery. Notwithstanding several failed attempts to achieve national coverage, the Board remains committed to establishing an effective distribution network.

We reported in our 2014 Interim Report that the Board had taken the strategic decision to reduce global inventory levels held by distributors. Whilst this inevitably led to a period of lower sales which had a detrimental impact on 2014, the Group is now seeing the benefit of a more normalised business with relatively stable monthly sales. This has undoubtedly improved the operational effectiveness of the business and the change has been welcomed by our customers.

### OEM

OEM sales fell by 53% to £0.818 million (2013: £1.757 million) due to reductions with CareFusion and Teleflex. Under the terms of an exclusive eight year distribution agreement, CareFusion exercised their right to move to a non-exclusive basis which extinguished minimum purchase obligations and resulted in lower than anticipated sales. Whilst disappointing, this contractual change allows the Group to market its SI Brand reusable retraction systems globally.

OEM continues to provide a contribution to the Group's results; however, given that this is not at a predictable or steady rate the Board continues to work on reducing the Group's emphasis on this part of the business whilst seeking growth from SI Brand.

### Industrial

The Group's industrial segment benefited from the award of another feasibility project to develop bespoke on-wing inspection devices with our long standing industrial partner, Rolls-Royce, with £262,000 of revenue received in 2014 (2013: £296,000). However, the contribution from this segment continues to be unpredictable and this remains a non-core activity.

### Regional Growth Fund ("RGF")

The Group has announced previously that it had secured in 2012 a £5.05 million RGF grant as part of a project to relocate to new premises. Regrettably, the Group was not successful in growing the business as the project anticipated through to 2014 and accordingly the Board concluded during November 2014 that the project should be terminated. This resulted in an exceptional write-off of costs associated with the project of £420,000 and we are in discussion with the RGF regarding potential repayment of £151,000 advanced previously under the grant.

From an operational perspective, the current Leeds manufacturing site is leased under an agreement which expires in April 2018. Whilst the Group's property strategy will now need to be revisited, there are no immediate concerns regarding the existing facility which is considered adequate for the Group's requirements.

### Restructuring

During the second half of 2014 we commenced a period of intense restructuring in order to reduce costs and stabilise the cash position. Whilst this has resulted in substantial annualised cost savings and secured an immediate future for the Group, there were unfortunately many redundancies within the business. The programme of headcount reduction was completed in February 2015 with 50 staff now being employed by the Group.

A fundamental impact of the focus on cash generation was a reduction in manufacturing output from September 2014 onwards. This has had a positive impact on cash as it allows the Group to consume the excess inventory that it had built previously. However, there is also a negative impact on profitability as manufacturing activity was and remains lower. Despite the profit impact, the Board considers cash generation to be the primary objective for 2015.

As stated above, cash flow is a key performance indicator and our progress is evident with reference to the first quarter of 2015 where the cash generated by the Group was just over £100,000. We expect this trend to continue throughout 2015 as we seek to reduce the level of reliance on debt funding. In addition to the cash generated from trading, a further £0.5 million was injected into the business during March 2015 via the convertible unsecured loan note instrument.

### Outlook

In our 2014 Interim Report we explained that we had to implement radical reform to rebalance the business through increasing our focus on cash generation and through de-stocking customer inventory levels. With the support of our major shareholders, we are pleased that substantial progress has been made in both of these areas and that the Group now has greater financial stability compared to six months ago.

Our products continue to be relevant and well positioned within the global laparoscopic market where cost pressure continue to be downwards. Whilst we continue to work with existing and new dealers with the intention of growing the SI branded business, the marketplace is challenging as we compete with much larger, global, organisations with far greater resource.

Notwithstanding the bitter disappointment of 2014, the Group now has a more stable platform and the Board is satisfied with the progress that has been made in recent months. More focus can now be dedicated to growing the business, and we hope that this will bring better news for our shareholders in the future.

**Doug Liversidge**  
**Non-Executive Chairman**  
 11 May 2015

## Financial review

### Revenue

Reported revenue for 2014 reduced 46% to £4.029 million (2013 restated: £7.478 million). A segmental analysis of revenue is provided below which reflects the substantial decline in revenues explained in the Operating Review.

	2014	Restated 2013	% change
	£'000	£'000	
SI Brand	2,949	5,425	(45.6)%
OEM	818	1,757	(53.4)%
Industrial	262	296	(11.5)%
<b>Total</b>	<b>4,029</b>	<b>7,478</b>	<b>(46.1)%</b>

### Restatement of comparative results

On 22 October 2014 the Group announced that revenue recorded in 2013 of £0.6 million would need to be reversed in 2014. In response to this issue, and in conjunction with our auditors, the Board conducted a comprehensive review of revenue recognition policies adopted historically by the Group.

As a result, the Board has amended Group policy to exclude "bill and hold" sales and to revise certain aspects of revenue recorded in respect of long-term sales. Consequently, comparative figures have been restated resulting in 2014 revenue being £1.075 million, and 2014 operating profit being £833,000 lower than previously reported. Further detail is provided in note 8 to this preliminary

announcement.

### Gross margin

Gross margin reduced to 29.4% (2013 restated: 39.5%) as a direct consequence of changing our strategic focus to cash generation. In particular, manufacturing activity in the final quarter of 2014 was minimal which substantially reduced manufacturing overhead recovery.

### Operating expenses

Excluding exceptional items, operating expenses reduced by £128,000 during the year to £2.581 million (2013: £2.709 million). The reduction resulted from reduced amortisation of product development intangible assets (£118,000). Following substantial cost reduction activity operating expenses are expected to reduce in 2015.

### Exceptional items

The results for 2014 include substantial exceptional costs of £8.388 million (2013: £196,000), of which £7.797 million were non-cash. As announced on 11 March 2015, annual impairment testing of capitalised product development costs revealed a total impairment for the year of £5.973 million (of which £1.736 million was recorded at the Interim stage). On that date we also announced a significant write down in inventory carrying value and exceptional items includes a total inventory provision of £1.096 million.

Other exceptional items which have been reported previously comprise provisions against trade debtors of £728,000 and £420,000 provided against all costs incurred on the terminated RGF project. Exceptional items also include cash costs of £171,000 incurred during Q4 2014 restructuring.

### EBITDA and operating loss

EBITDA (excluding exceptional items) reduced from £1.681 million to a loss of £52,000 reflecting the combined effect of the reduced revenue and gross margin. The substantial operating loss of £9.783 million (2013 restated: profit of £52,000) was largely attributable to the exceptional items described above.

### Finance costs

As noted below, we utilised bank borrowings for the majority of 2014 resulting in interest payable of £97,000 (2013: £57,000). We also incurred £86,000 (2013: £62,000) of finance charges in respect of finance lease obligations. Whilst the borrowing rate on the new £3 million term loan is higher than the previous facility, we expect overall finance costs to reduce in the medium term as the overall level of indebtedness is driven down.

### Taxation

The Group recorded a tax credit of £372,000 (2013 restated: £172,000) reflecting a deferred tax credit of £256,000 and a corporation tax credit of £116,000. In overall terms the Group has substantial tax losses which have cautiously not been recognised which results in the very low overall effective rate of tax of 3.8%. During 2014 the Group submitted enhanced Research and Development claims in respect of 2013 and elected to exchange tax losses for a cash refund of £116,000 (2013: £197,000) which was received during the year.

### Intangible and tangible assets

As noted above, in light of the current trading performance the Board conducted an impairment review of capitalised product development costs and concluded that an impairment charge of £5.973 million was necessary. As a result, the level of capitalised development costs at 31 December 2014 is substantially reduced at £1.999 million (2013: £7.341 million). Due to the restructuring undertaken during the past six months the level of research and development expenditure will reduce in future periods.

Capital expenditure on tangible assets during the year was very low at £94,000 (2013: £236,000) and there are no major capex plans currently under consideration.

### Working capital

Working capital reduced by £1.464 million to £4.699 million (2013 restated: £6.163 million). This reduction masks several substantial movements which arose as a result of the strategic drive to focus on cash and to rebalance the business. In particular, there was a significant increase in inventory of £0.689 million and a reduction in trade creditors of £0.826 million offset by a major decline in trade debtors of £2.440 million.

### Cashflow and net debt

The Group suffered a cash outflow from operations of £0.686 million (2013: inflow of £1.171 million) primarily as a result of a significant increase in gross inventories of £1.945 million. Cash used in investment reduced to £1.601 million (2013: £2,043 million) resulting in a cash outflow before financing of £2.086 million (2013: £0.775 million).

This shortfall was funded by a combination of two equity fund-raising totalling £2.112 million and the issue of new convertible unsecured loan notes of £0.5 million. The £3 million bank facility provided by Yorkshire Bank was restructured to a term loan during November 2014 and its ongoing availability is dependent upon covenant compliance. At 31 December 2014, net debt was £3.298 million (2013: £3.488 million) and headroom against available facilities was £0.678 million.

Following the year end, and as a result of the change in strategic focus, the Group has generated cash and it is expected that net debt will reduce further. In accordance with the terms announced previously, a further £0.5 million was injected into the business on 31 March 2015 via the convertible unsecured loan note instrument.

Mike Thornton  
 Chief Financial Officer  
 11 May 2015

## Consolidated statement of comprehensive income

for the year ended 31 December 2014

	Notes	2014 £'000	Restated 2013 £'000
<b>Revenue</b>	5	<b>4,029</b>	7,478
Cost of sales		(2,843)	(4,521)
<b>Gross profit</b>		<b>1,186</b>	2,957
Other operating expenses		(10,969)	(2,905)
<b>Adjusted EBITDA</b>		<b>(52)</b>	1,681
Exceptional items		(8,388)	(196)
Amortisation of intangible assets		(788)	(906)
Depreciation of tangible assets		(555)	(527)
<b>Operating (loss) / profit</b>		<b>(9,783)</b>	52
Finance costs		(183)	(119)
Finance income		137	23
<b>Loss before taxation</b>		<b>(9,829)</b>	(44)
Taxation credit		372	172
<b>(Loss) / profit and total comprehensive (deficit) / income</b>		<b>(9,457)</b>	128
<b>(Loss) / earnings per share, total and continuing</b>			
Basic	6	<b>(2.19)p</b>	0.03p
Diluted	6	<b>(2.19)p</b>	0.03p

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

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

## Consolidated statement of changes in equity

for the year ended 31 December 2014

	Share capital £'000	Share premium £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2013 - restated (note 8)	4,046	325	329	8,396	13,096
Employee share-based payment options	-	-	-	150	150
Exercise of share options	1	1	-	-	2
Total - transactions with owners	1	1	-	150	152
Profit and total comprehensive income for the period - restated (note 8)	-	-	-	128	128
<b>Balance as at 31 December 2013 - restated (note 8)</b>	<b>4,047</b>	<b>326</b>	<b>329</b>	<b>8,674</b>	<b>13,376</b>
Employee share-based payment options	-	-	-	88	88
Exercise of share options	4	3	-	-	7
Equity placing for cash proceeds	800	1,305	-	-	2,105
Total - transactions with owners	804	1,308	-	88	2,200
Loss and total comprehensive deficit for the period	-	-	-	(9,457)	(9,457)
<b>Balance as at 31 December 2014</b>	<b>4,851</b>	<b>1,634</b>	<b>329</b>	<b>(695)</b>	<b>6,119</b>

## Consolidated balance sheet

at 31 December 2014

	Notes	2014 £'000	Restated 2013 £'000
<b>Assets</b>			
<b>Non-current assets</b>			

Property, plant and equipment		2,234	2,788
Intangible assets		1,999	7,341
Trade receivables		518	928
		<b>4,751</b>	<b>11,057</b>
<b>Current assets</b>			
Inventories		4,303	3,614
Trade receivables		1,281	3,721
Other current assets		261	810
Cash at bank and in hand		678	-
		<b>6,523</b>	<b>8,145</b>
<b>Total assets</b>		<b>11,274</b>	<b>19,202</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the parent company</b>			
Share capital	7	4,851	4,047
Share premium account		1,634	326
Capital reserve		329	329
Retained earnings		(695)	8,674
<b>Total equity</b>		<b>6,119</b>	<b>13,376</b>
<b>Non-current liabilities</b>			
Borrowings		3,471	-
Obligations under finance leases		256	505
Deferred income - government grant		-	100
Deferred tax liabilities		-	256
		<b>3,727</b>	<b>861</b>
<b>Current liabilities</b>			
Bank overdraft		-	2,584
Trade and other payables		779	1,605
Obligations under finance leases		282	399
Accruals		367	377
		<b>1,428</b>	<b>4,965</b>
<b>Total liabilities</b>		<b>5,155</b>	<b>5,826</b>
<b>Total equity and liabilities</b>		<b>11,274</b>	<b>19,202</b>

## Consolidated cash flow statement

for the year ended 31 December 2014

	2014 £'000	Restated 2013 £'000
<b>Cash flows from operating activities</b>		
Operating (loss) / profit	(9,783)	52
Adjustments for:		
Non-cash exceptional items	8,218	-
Depreciation of property, plant and equipment	555	527
Amortisation of intangible assets	788	906
Share-based payment charge	88	150
Grant income	-	(20)
Loss on disposal of fixed assets	3	1
(Increase)/decrease in inventories	(1,945)	246
Decrease/(increase) in non-current trade receivables	269	(615)
Decrease/(increase) in current receivables	2,117	(357)
(Decrease)/increase in payables	(996)	281
<b>Cash (used in)/generated from operations</b>	<b>(686)</b>	<b>1,171</b>
Taxation received	384	216
Interest paid	(183)	(119)
<b>Net cash (used in)/generated from operating activities</b>	<b>(485)</b>	<b>1,268</b>
<b>Cash flows from investing activities</b>		
Payments to acquire property, plant and equipment	(343)	(189)
Acquisition of intangible assets	(1,258)	(1,854)
<b>Net cash used in investment activities</b>	<b>(1,601)</b>	<b>(2,043)</b>
<b>Cash flows from financing activities</b>		
Issue of Loan Notes 2017	500	-
New bank loan	3,000	-
Cash received from issue of shares	2,112	2
Cash received from government grant	102	49
Repayment of obligations under finance leases	(366)	(441)
<b>Net cash used in financing activities</b>	<b>5,348</b>	<b>(390)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>3,262</b>	<b>(1,165)</b>
Cash and cash equivalents at beginning of year	(2,584)	(1,419)

## Notes to the consolidated financial information

### 1. Reporting entity

Surgical Innovations Group plc (the "Company") is a public limited company incorporated and domiciled in England and Wales (registration number 2298163). The Company's registered address is Clayton Wood House, 6 Clayton Wood Bank, Leeds LS16 6QZ.

The Company's ordinary shares are traded on the AIM market of the London Stock Exchange. The financial statements of the Company for the twelve months ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group").

### 2. Basis of preparation

This preliminary announcement has been prepared in accordance with the accounting policies set out in the annual report for the year ended 31 December 2014 (see note 3).

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), as adopted for use in the EU, this announcement does not itself contain sufficient information to comply with IFRS. The Group expects to publish full financial statements that comply with IFRS in May 2014.

### 3. Accounting policies

The same accounting policies, presentations and methods of computation are followed in this financial information as applied in the Group's latest annual audited financial statements. The annual financial statements of Surgical Innovations Group plc are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

### 4. Publication of non-statutory financial statements

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in Sections 434 and 435 of the Companies Act 2006.

The Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated balance sheet at 31 December 2014 and the Consolidated cash flow statement have been extracted from the Group's financial statements upon which the auditor's opinion is unqualified and does not include any statement under Section 498(2) or 498(3) of the Companies Act 2006. Those financial statements have not yet been delivered to the Registrar.

The audited Group financial statements will be available to all shareholders in due course and will be available on the Company website, [www.sigroupplc.com](http://www.sigroupplc.com).

### 5. Segmental reporting

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

SI Brand	-	the research, development, manufacture and distribution of SI branded minimally invasive devices
OEM	-	the research, development, manufacture and distribution of minimally invasive devices for third party medical device companies through either own label or co-branding
Industrial	-	the research, development, manufacture and sale of minimally invasive technology products for industrial application

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 key decision maker within the business and the information as it is presented under IFRS.

Year ended 31 December 2014	SI Brand £'000	OEM £'000	Industrial £'000	Total £'000
<b>Revenue</b>	<b>2,949</b>	<b>818</b>	<b>262</b>	<b>4,029</b>
<b>Result</b>				
<b>Segment result</b>	<b>261</b>	<b>(105)</b>	<b>242</b>	<b>398</b>
Unallocated expenses				(10,181)
<b>Loss from operations</b>				<b>(9,783)</b>
Finance income				137
Finance costs				(183)

<b>Loss before taxation</b>	<b>(9,829)</b>
Tax credit	<b>372</b>
<b>Loss for the year</b>	<b>(9,457)</b>

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

	SI Brand £'000	OEM £'000	Industrial £'000	Total £'000
<b>Year ended 31 December 2014</b>				
Amortisation of intangible assets	<b>664</b>	<b>124</b>	-	<b>788</b>

Unallocated expenses for 2014 include exceptional items (£8,388,000), sales and marketing costs (£819,000), research and development costs (£286,000) and central overheads (£645,000).

	SI Brand £'000	OEM £'000	Industrial £'000	Total £'000
<b>Year ended 31 December 2013 - Restated</b>				
<b>Revenue</b>	<b>5,425</b>	<b>1,757</b>	<b>296</b>	<b>7,478</b>
<b>Result</b>				
<b>Segment result</b>	<b>1,396</b>	<b>395</b>	<b>260</b>	<b>2,051</b>
Unallocated expenses				(1,999)
<b>Profit from operations</b>				<b>52</b>
Finance income				23
Finance costs				(119)
<b>Loss before taxation</b>				<b>(44)</b>
Tax				172
<b>Profit for the year</b>				<b>128</b>

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

	SI Brand £'000	OEM £'000	Industrial £'000	Total £'000
<b>Year ended 31 December 2013 - Restated</b>				
Amortisation of intangible assets	<b>708</b>	<b>196</b>	<b>2</b>	<b>906</b>

Unallocated expenses for 2013 include sales and marketing costs (£643,000), research and development costs (£369,000) and central overheads (£701,000).

#### Geographical analysis of revenues

	<b>2014</b> £'000	Restated 2013 £'000
United Kingdom	<b>1,524</b>	2,259
Europe	<b>1,303</b>	2,219
US	<b>785</b>	2,333
Rest of World	<b>417</b>	667
	<b>4,029</b>	<b>7,478</b>

Revenues are allocated geographically on the basis of where revenues were received from and not from the ultimate final destination of use. During 2014, £836,000 (20.7%) of the Group's revenue depended on one customers in the SI Brand segment (2013 restated: £1,066,000 (14.3%) and £1,277,000 (17.1%) from two customers in the SI Brand segment). Revenues to Europe included £219,000 (2013 restated: £658,000) to Belgium and £282,000 (2013 restated: £653,000) to France.

## 6. Earnings per ordinary share

#### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the year ended 31 December 2014 was based upon the loss attributable to ordinary shareholders of £9,457,000 (2013 restated: profit of £128,000) and a weighted average number of ordinary shares outstanding for the year ended 31 December 2014 of 431,453,877 (2013: 404,591,902).

#### Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the year ended 31 December 2014 was based upon the loss attributable to ordinary shareholders of £9,457,000 (2013 restated: profit of £128,000) and a weighted average number of ordinary shares outstanding for the year ended 31 December 2014 of 431,453,877 (2013: 409,062,516).

	<b>2014</b> No. of shares	2013 No. of shares
No. of shares used in calculation of earnings per ordinary share ('000s)		
Basic earnings per share	<b>431,454</b>	404,592
Dilutive effect of unexercised share options	-	4,471
<b>Diluted earnings per share</b>	<b>431,454</b>	<b>409,063</b>

## 7. Share capital

	<b>2014</b> £'000	2013 £'000
Allotted, called up and fully paid 485,064,282 (2013: 404,731,902) ordinary shares of 1p each	<b>4,851</b>	<b>4,047</b>



## 8. Restatement of comparative information

On 22 October 2014 the Group announced that revenue recorded in 2013 of £0.6 million would need to be reversed in 2014. In response to this issue, the Board conducted a comprehensive review of revenue recognition policies adopted historically by the Group. The review identified two areas where the Board concluded that the Group's revenue recognition policy should be changed to a more appropriate basis and which therefore give rise to the restatement of comparative information. The two areas identified were:

### (a) "Bill and Hold" sales

In prior periods the Group recognised revenue on a "Bill and Hold" basis where the related inventory would remain at the Group's premises for a period of time. A large proportion of the reversal announced on 22 October 2014 related to a sale on this basis which was never despatched and accordingly the Board have concluded that recording revenue on this basis is not an appropriate policy. Under the revised policy, revenue has been recorded on despatch of goods from the Leeds manufacturing facility.

### (b) Fair value of long term Capital sales

The Group has a branded port access system which comprises a reusable element ("Capital") and a consumable element. In certain situations the Group sold the Capital element to distributors on terms of up to five years (NB No further sales will be made on this basis). The review has identified two areas within these sales:

#### (i) Initial fair value

Historically the Group recorded all such sales at their full fair value, regardless of the potential counterparty risk over a five year period. The review has concluded that it would have been more appropriate to determine a much lower, or even no, fair value on the sale in situations where the sale was made to distributors where the Group had no trading experience.

#### (ii) Discount rate applied

In respect of these sales, the Group policy was to record the sale at fair value using an appropriate discount rate. The rate used was 2.5%, being the Group's cost of borrowing. The review concluded that a higher rate more closely aligned with the Weighted Average Cost of Capital should have been used.

The impact of this restatement on the 2014 financial information was to increase Revenue by £986,000, increase Gross profit by £489,000, increase Finance income by £88,000 and reduce the Taxation credit by £306,000. Profit after taxation increased by £577,000, and the impact on loss per share was to reduce it by 0.14 pence per share.

The financial impact on the reported 2013 and 2012 financial information is set out below. No periods prior to the year ended 31 December 2012 were impacted by this restatement.

### A. Consolidated statement of comprehensive income for the year ended 31 December 2013

	Reported 2013 £'000	Adjustment (a) £'000	Adjustment (b) £'000	Tax effect thereon £'000	Restated 2013 £'000
<b>Revenue</b>	8,553	(484)	(591)	-	<b>7,478</b>
Cost of sales	(4,763)	242	-	-	<b>(4,521)</b>
<b>Gross profit</b>	3,790	(242)	(591)	-	<b>2,957</b>
Other operating expenses	(2,905)	-	-	-	<b>(2,905)</b>
<b>Adjusted EBITDA</b>	2,514	(242)	(591)	-	<b>1,681</b>
Exceptional items	(196)	-	-	-	<b>(196)</b>
Amortisation of intangible assets	(906)	-	-	-	<b>(906)</b>
Depreciation of tangible assets	(527)	-	-	-	<b>(527)</b>
<b>Operating profit</b>	885	(242)	(591)	-	<b>52</b>
Finance costs	(119)	-	-	-	<b>(119)</b>
Finance income	30	-	(7)	-	<b>23</b>
<b>Loss before taxation</b>	796	(242)	(598)	-	<b>(44)</b>
Taxation credit	4	-	-	168	<b>172</b>
<b>Profit and total comprehensive income</b>	800	(242)	(598)	168	<b>128</b>

Restated earnings per share were 0.03p (Reported: 0.20p).

### B. Consolidated balance sheet at 31 December 2013

	Reported 2013 £'000	Adjustment (a) £'000	Adjustment (b) £'000	Tax effect thereon £'000	Restated 2013 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	2,788	-	-	-	<b>2,788</b>
Intangible assets	7,341	-	-	-	<b>7,341</b>
Trade receivables	2,124	(251)	(945)	-	<b>928</b>
	12,253	(251)	(945)	-	<b>11,057</b>
<b>Current assets</b>					
Inventories	3,120	494	-	-	<b>3,614</b>
Trade receivables	4,464	(743)	-	-	<b>3,721</b>
Other current assets	810	-	-	-	<b>810</b>
Cash at bank and in hand	-	-	-	-	<b>-</b>
	8,394	(249)	-	-	<b>8,145</b>
<b>Total assets</b>	20,647	(500)	(945)	-	<b>19,202</b>
<b>Equity and liabilities</b>					
<b>Equity attributable to equity holders of the parent company</b>					
Share capital	4,047	-	-	-	<b>4,047</b>

Share premium account	326	-	-	-	<b>326</b>
Capital reserve	329	-	-	-	<b>329</b>
Retained earnings	9,813	(500)	(945)	306	<b>8,674</b>
<b>Total equity</b>	<b>14,515</b>	<b>(500)</b>	<b>(945)</b>	<b>306</b>	<b>13,376</b>
<b>Non-current liabilities</b>					
Obligations under finance leases	505	-	-	-	<b>505</b>
Deferred income - government grant	100	-	-	-	<b>100</b>
Deferred tax liabilities	562	-	-	(306)	<b>256</b>
	<b>1,167</b>	<b>-</b>	<b>-</b>	<b>(306)</b>	<b>861</b>
<b>Current liabilities</b>					
Bank overdraft	2,584	-	-	-	<b>2,584</b>
Trade and other payables	1,605	-	-	-	<b>1,605</b>
Obligations under finance leases	399	-	-	-	<b>399</b>
Accruals	377	-	-	-	<b>377</b>
	<b>4,965</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,965</b>
<b>Total liabilities</b>	<b>6,132</b>	<b>-</b>	<b>-</b>	<b>(306)</b>	<b>5,826</b>
<b>Total equity and liabilities</b>	<b>20,647</b>	<b>(500)</b>	<b>(945)</b>	<b>-</b>	<b>19,202</b>

### C. Consolidated statement of comprehensive income for the year ended 31 December 2012

	Reported 2012 £'000	Adjustment (a) £'000	Adjustment (b) £'000	Tax effect thereon £'000	Restated 2012 £'000
<b>Revenue</b>	<b>7,639</b>	<b>(510)</b>	<b>(347)</b>	<b>-</b>	<b>6,782</b>
Cost of sales	(3,779)	252	-	-	<b>(3,527)</b>
<b>Gross profit</b>	<b>3,860</b>	<b>(258)</b>	<b>(347)</b>	<b>-</b>	<b>3,255</b>
Other operating expenses	(2,537)	-	-	-	<b>(2,537)</b>
<b>Adjusted EBITDA</b>	<b>2,888</b>	<b>(258)</b>	<b>(347)</b>	<b>-</b>	<b>2,283</b>
Exceptional items	(294)	-	-	-	<b>(294)</b>
Amortisation of intangible assets	(700)	-	-	-	<b>(700)</b>
Depreciation of tangible assets	(571)	-	-	-	<b>(571)</b>
<b>Operating profit</b>	<b>1,323</b>	<b>(258)</b>	<b>(347)</b>	<b>-</b>	<b>718</b>
Finance costs	(94)	-	-	-	<b>(94)</b>
Finance income	4	-	-	-	<b>4</b>
<b>Loss before taxation</b>	<b>1,233</b>	<b>(258)</b>	<b>(347)</b>	<b>-</b>	<b>628</b>
Taxation credit	(547)	-	-	138	<b>(409)</b>
<b>Profit and total comprehensive income</b>	<b>686</b>	<b>(258)</b>	<b>(347)</b>	<b>138</b>	<b>219</b>

### D. Consolidated balance sheet at 31 December 2012

	Reported 2012 £'000	Adjustment (a) £'000	Adjustment (b) £'000	Tax effect thereon £'000	Restated 2012 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	2,990	-	-	-	<b>2,990</b>
Intangible assets	6,393	-	-	-	<b>6,393</b>
Trade receivables	637	-	(347)	-	<b>290</b>
	<b>10,020</b>	<b>-</b>	<b>(347)</b>	<b>-</b>	<b>9,673</b>
<b>Current assets</b>					
Inventories	3,605	252	-	-	<b>3,857</b>
Trade receivables	3,953	(510)	-	-	<b>3,443</b>
Other current assets	679	-	-	-	<b>679</b>
	<b>8,237</b>	<b>(258)</b>	<b>-</b>	<b>-</b>	<b>7,979</b>
<b>Total assets</b>	<b>18,257</b>	<b>(258)</b>	<b>(347)</b>	<b>-</b>	<b>17,652</b>
<b>Equity and liabilities</b>					
<b>Equity attributable to equity holders of the parent company</b>					
Share capital	4,046	-	-	-	<b>4,046</b>
Share premium account	325	-	-	-	<b>325</b>
Capital reserve	329	-	-	-	<b>329</b>
Retained earnings	8,863	(258)	(347)	138	<b>8,396</b>
<b>Total equity</b>	<b>13,563</b>	<b>(258)</b>	<b>(347)</b>	<b>138</b>	<b>13,096</b>
<b>Non-current liabilities</b>					
Obligations under finance leases	786	-	-	-	<b>786</b>
Deferred tax liabilities	369	-	-	(138)	<b>231</b>
	<b>1,155</b>	<b>-</b>	<b>-</b>	<b>(138)</b>	<b>1,017</b>
<b>Current liabilities</b>					
Bank overdraft	1,419	-	-	-	<b>1,419</b>
Trade and other payables	1,475	-	-	-	<b>1,475</b>
Obligations under finance leases	422	-	-	-	<b>422</b>
Accruals	223	-	-	-	<b>223</b>
	<b>3,539</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,539</b>
<b>Total liabilities</b>	<b>4,694</b>	<b>-</b>	<b>-</b>	<b>(138)</b>	<b>4,556</b>
<b>Total equity and liabilities</b>	<b>18,257</b>	<b>(258)</b>	<b>(347)</b>	<b>-</b>	<b>17,652</b>

### 9. Annual General Meeting

The annual report will be available from the Company's website, [www.sigroupplc.com](http://www.sigroupplc.com), with effect from 20 May 2015 and posted to

shareholders who have elected to receive hard copy versions by 20 May 2015. The annual report contains notice of the Annual General Meeting of the Company which will be held at 2.00 p.m. on 23 June 2015 at Clayton Wood House, 6 Clayton Wood Bank, Leeds LS16 6QZ.

- Ends -

This information is provided by RNS  
The company news service from the London Stock Exchange

END

FR SFIFWFFISEFI

CLOSE



**X2M**  
A marketplace for the major financial players  
to buy and sell services.

**London**  
Stock Exchange Group

#### FINANCIAL PUBLICATIONS PROVIDED BY DIANOMI



**Stock Tips**  
Which major FTSE 100 stock is ready to push higher?

[Download Free Report](#)



**Day Trade Shares**  
Discover the Professional Secrets of Day Trading

[Download Free Report](#)



**JPMorgan Asset Management**  
Identifying shares with special potential: a fund manager's key tips

[Read more](#)

London Stock Exchange plc is not responsible for and does not check content on this Website. Website users are responsible for checking content. Any news item (including any prospectus) which is addressed solely to the persons and countries specified therein should not be relied upon other than by such persons and/or outside the specified countries. [Terms and conditions](#), including restrictions on use and distribution apply.

©2014 London Stock Exchange plc. All rights reserved

Final Results - RNS