

Surgical Innovations Group plc (AIM: SUN) announces that on 17 November 2014, the Company raised approximately £1.5 million (“the Fundraising”) from the Company’s Interim Managing Director Chris Rea and Getz Bros & Co (BVI) Inc (“Getz Bros”) by way of subscriptions for new Ordinary Shares of 1p each in the Company (“Ordinary Shares”) and the creation of fixed rate convertible unsecured loan notes 2017 (“Loan Notes”). The proceeds from the Fundraising will be used to provide additional working capital for Surgical Innovations whilst the Board progresses its restructuring of the Company’s activities.

The Company has raised approximately £0.526 million through a subscription by Mr Rea and Getz Bros for 30,354,893 and 10,118,297 new Ordinary Shares respectively, at a price of 1.3p per share, the closing mid-market price on 17 November 2014.

Mr Rea’s and Getz Bros’ resultant respective interests in the Company’s issued share capital following the issue of the new Ordinary Shares are as set out below:

| | No. Ordinary Shares | Percentage of the Company’s issued share capital |
|-----------|---------------------|--|
| Chris Rea | 69,814,083 | 14.4% |
| Getz Bros | 59,367,107 | 12.2% |

Application will be made to the London Stock Exchange for the 40,473,190 new Ordinary Shares to be admitted to trading on AIM (“Admission”). It is expected that such Admission will occur on 24 November 2014. The new Ordinary Shares will rank pari passu with the existing Ordinary Shares of the Company.

Following Admission, the total number of Ordinary Shares in the Company in issue will be 484,664,282 with each share carrying the right to one vote. The above figure may be used by shareholders as the denominator for the purposes of the FCA’s Disclosure and Transparency Rules.

On 17 November 2014, the Company also created up to £1.0 million of Loan Notes in £1 nominal amount and issued £0.25 million of Loan Notes to each of Mr Rea and Getz Bros, raising a further £0.5 million in aggregate. The Company will, on or before 31 March 2015, issue a further £0.5 million of Loan Notes (a further £0.25 million to each of Mr Rea and Getz Bros).

The Loan Notes are repayable at par on the third anniversary of their issue together with interest which accrues on the principal outstanding at 3% per annum in the first year rising to 7.5% per annum in the second and third year following their issue. The Loan Notes carry the right, subject to the Company’s ordinary shareholders passing the relevant resolution at a general meeting, to be converted, at a future date, into such number of Ordinary Shares as is equal to the principal and interest outstanding on the Loan Notes to be converted divided by the lower of either:

- 2.5p, representing a premium of 92% to the closing mid-market price of 1.3p on 17 November 2014; or
- the closing mid-market price on the last trading day before the Company receives notice of the intended conversion of the Loan Notes.

The Company anticipates that, in early 2015, it will seek shareholder approval at a general meeting of the requisite authorities required to allot new Ordinary Shares upon future receipt of any notice of intended conversion of the Loan Notes. If conversion of the Loan Notes is not approved by shareholders in a general meeting by 30 June 2015, interest shall begin to accrue on the principal then outstanding at the rate of 20% per annum.

As part of the Fundraising, Yorkshire Bank has also agreed to convert its £3 million revolving credit loan facility into a term loan repayable in April 2017 together with new financial covenants.

By way of an update to shareholders, the Board had explained previously that the Company had secured a £5.05 million Regional Growth Fund Grant as part of a project to relocate to new premises. The Board can confirm that this project has now been formally terminated.

Doug Liversidge, Chairman, said: "I would like to thank Chris and Getz Bros, our two largest Shareholders, for providing the Company with this further funding. The Board's ongoing restructuring of the Company still has a long way to go before it is complete; however, the additional funds provided by Chris and Getz Bros will provide us with more flexibility to take the actions required to put the Company on the road to recovery."

Related party transactions

Mr Rea is a Director of Surgical Innovations and is therefore treated as a related party of the Company under Rule 13 of the AIM Rules for Companies ("the AIM Rules"). Under the AIM Rules, Getz Bros is classified as a substantial shareholder and, therefore, is also treated as a related party of the Company. Mr Rea's and Getz Bros' respective participations in the Fundraising are therefore treated as related party transactions.

The other directors of Surgical Innovations (all of whom are independent of Mr Rea and Getz Bros) consider, having consulted with Panmure Gordon (UK) Limited as the Company's nominated adviser, that the terms of the Fundraising are fair and reasonable insofar as the Company's shareholders are concerned.