



SDI Group plc (SDI) is an AIM-listed company specialising in the design and manufacture of products for use within a number of imaging and sensing and control applications including life sciences, healthcare, astronomy, precision optics, measurement instrumentation and art conservation markets. Corporate expansion is via organic growth within its subsidiary companies and through the acquisition of complementary, niche technology businesses with established reputations in global markets.

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Revenue

increased to **£49.7m** (2021: £35.1m)
including **21.6% organic growth**

+41.6%

Adjusted operating profit*

increased to **£12.1m** (2021: £7.7m)

+56.8%

Adjusted profit before tax*

increased to **£11.8m** (2021: £7.4m)

+58.9%

Basic EPS (earnings per share)

increased to **7.53p** (2021: 4.81p)

+56.5%

Diluted EPS

increased to **7.23p** (2021: 4.58p)

+57.9%

Adjusted diluted EPS*

increased to **8.71p** (2021: 5.97p)

+45.9%

Two new acquisitions added to the Group

Scientific Vacuum Systems Limited & Safelab Systems Limited

Companies across the Group coped well with challenging supply chain issues and inflation

* before reorganisation costs, share-based payments, acquisition costs and amortisation of acquired intangible assets.

Digital Imaging



The strength of our business model:

- Federated structure allows for rapid but nuanced response
- Profitable and cash-generative businesses able to withstand external shocks
- Diverse portfolio of companies not relying on a single sector or region
- Exposure to future-proofed sectors
- Resources to invest for organic and acquired growth as opportunities arise

Sensors & Control

SDI Group Acquisition Process

Why sell to SDI?

- The business will retain its independence, brands and culture
- Focus on growth
- Strong financial support and access to specialist resources within the Group
- Knowledge sharing within the Group

Main acquisition criteria

- Scientific/technical instruments/manufacturing sector
- Strong exporters within their niche sector
- Profitable and cash generative
- Strong track record
- Strong local management team
- Available at a fair price – recent acquisitions have been priced at 4-6 times EBIT
- SDI have a reputation of being honourable and never changing the deal terms

Post acquisition

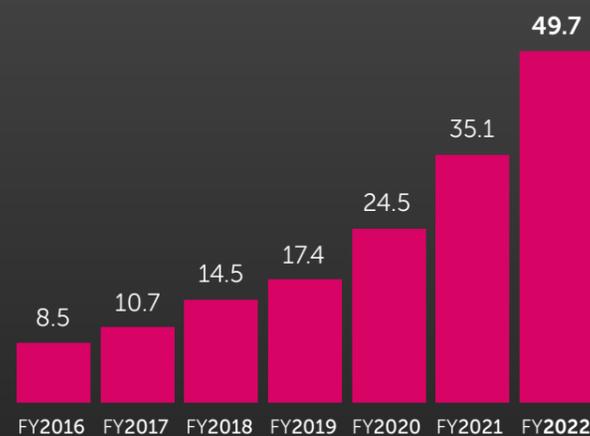
- Implement strong financial controls
- The business is run autonomously
- Focus on the medium- to long-term strategy
- Create an environment for the businesses to grow and develop with investment if required

Why invest in SDI?

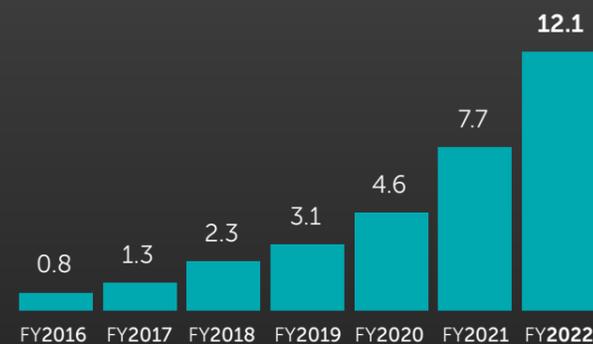
- Buy and build model within life science and technology markets
- Spread of technologies and associated supply chains in diverse global sectors
- Portfolio of products for use in COVID-19 detection and treatment systems
- Fifteen earnings enhancing acquisitions since 2014
- Assembling a portfolio of businesses with niche expertise and sustainable markets
- Independent and agile operating businesses have freedom to innovate and invest for growth



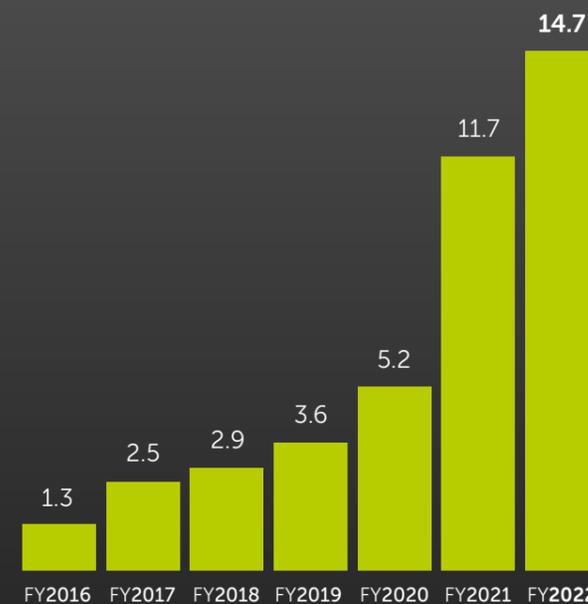
Impressive Growth
Revenues (£m)



Record Performance
Adjusted Operating Profit (£m)



Strong Cash Flow
Cash Generated from Operations (£m)



Increasing Investment Returns
Adjusted Diluted EPS Figures (p)



Digital Imaging

SDI's Digital Imaging sector turnover increased by £5.7m to **£21.5m** with organic sales growth of 36.1%

Adjusted Operating Profit across the seven Digital Imaging brands increased to **£8.5m** (£5.2m 2021) up **64.6%**



ATIK CAMERAS

The cameras are designed and developed in Norwich, UK with manufacturing based in Lisbon, Portugal. The company has developed and sells a range of cameras under three brands Atik, Quantum Scientific Imaging and Opus Instruments

• Atik

Atik Cameras designs and manufactures highly sensitive cameras for life science and industrial applications, as well as deep-sky astronomy imaging. Its life science cameras are in demand for use in real-time PCR DNA amplifiers for detecting COVID-19.

• Quantum Scientific Imaging

Quantum Scientific Imaging (QSI) designs and manufactures a range of high-performance cameras that have applications in astronomy, life sciences and flat panel inspection.

• Opus Instruments

Opus Instruments is a world leader in the field of Infrared Reflectography cameras for use in the art conservation. It developed its **OSIRIS** camera as a collaboration with the UK's National Gallery and all its cameras including a higher specification version of OSIRIS, named **Apollo** are manufactured by Atik Cameras.

GRATICULES OPTICS

Graticules Optics is a proven world-class designer and manufacturer of precision micropattern products. The firm, based in Tonbridge, Kent is unique in offering photolithographic products on glass, film and in metal foil, with additional capability in coatings, cementing, mounting and small optical assembly.

SYNOPTICS

Synoptics based in Cambridge is the headquarters and manufacturing site for Syngene, Synbiosis, Synoptics Health and Fistreem International products. It also has a US sale and marketing office based in Frederick USA.

• Syngene

Syngene develops and manufactures systems and software for automated gel-based DNA and protein fluorescence/chemiluminescence imaging and includes the popular global **G:BOX** and **NuGenius** brands.

• Synbiosis

Synbiosis provides automated and manual systems for microbiological testing in food, water, pharmaceutical and clinical applications. Its **ProtoCOL 3** system is used in all the major pharmaceutical companies for vaccine and antibiotic development and its high-end system, **AutoCOL** is the world's first fully automated colony counter.

• Fistreem International

Fistreem designs and manufactures water purification products and vacuum ovens. The firm's **Cyclon Water Still** and **Gallenkamp vacuum ovens** are recognised as world leading brands and are popular in many life science laboratories.



Revenues across SDI's eleven Sensors & Control brands grew from £19.3m to £28.2m in FY2022 an increase of

46%

Sensors & Control

APPLIED THERMAL CONTROL & THERMAL EXCHANGE

Applied Thermal Control (ATC) is based in Coalville and was acquired in August 2017. Thermal Exchange (TE) is based in Leicester and was acquired in February 2019. We took the decision to merge the two businesses in December 2019 in Barrow Upon Soar, UK. Both design, manufacture, and supply a range of chillers, coolers and heat exchangers used within scientific and medical instruments.

ASTLES CONTROL SYSTEMS

Astles Control Systems (Astles) is a supplier of chemical dosing and control systems to different industries including manufacturers of beverage cans, engineering and motor components, white goods, architectural aluminium, and steel. The company located in Princes Risborough, UK supplies equipment as well as repeat revenue from service, repairs and consumables.

CHELL INSTRUMENTS

Chell Instruments (Chell) specialises in the design, manufacture and calibration of pressure, vacuum, and gas flow measurement instruments. Based in Norfolk, UK the company supplies products for sectors including aerospace, vehicle aerodynamics, gas and steam turbine testing, and power generation industries.

MONMOUTH SCIENTIFIC

Monmouth Scientific Limited (Monmouth) is one of the UK's leading designers, manufacturers, and suppliers of Clean Air Solutions. The company specialises in Filtration Fume Cupboard and Ducted Fume Cupboard installations alongside Laminar Flow and Class I/Class II Biological Safety Cabinets. Biological Safety Cabinets are in high demand for use in COVID-19 testing laboratories. Located in Bridgwater, Somerset. Monmouth was acquired by SDI in December 2020.

MPB INDUSTRIES

MPB Industries (MPB) designs and manufactures flowmeters, flow alarms, flow indicators, flow switches, calibration cylinders and sight glasses for the measurement of liquids and gases by well-known industrial and scientific users. Based in East Peckham, UK, MPB operates across a broad range of applications including water treatment, oil and gas production, medical ventilators, medical anaesthesia, and scientific analysis. It has been a major contributor to the manufacture of ventilators for the UK at the outbreak of COVID-19.

SAFELAB SYSTEMS

Safelab produces high specification fume cupboards and similar cabinets, for both commercial and research laboratories and with a special focus on the education sector which requires versatile and fully-featured ducted cabinets often specified in newly built or refurbished laboratory facilities. Safelab's cabinets are designed and manufactured in a dedicated facility in Weston-Super-Mare.

SCIENTIFIC VACUUM SYSTEMS

Scientific Vacuum systems (SVS) specialises in custom Physical Vapour Deposition (PVD) systems for the deposition of thin film coatings typically on semiconductor wafers, for use in scientific research, industrial and semiconductor manufacturing applications. SVS are market leaders in the manufacture of production sputter coaters for premium brand razor blade coating.

SENTEK

Sentek manufactures and markets off-the-shelf and custom-made, reusable and single-use electrochemical sensors for use in laboratory analysis, food, beverage, pharmaceutical and personal care manufacturing, as well as the leisure industry. The company, based principally in Braintree, Essex serves global markets and has long-term contracts to supply sensors for use in vaccine and biologics production to two major life science companies.

UNIFORM ENGINEERING

Uniform Engineering (Uniform) is a manufacturer of high-quality bespoke metal enclosures and housings used in a variety of applications including pharmaceutical, laboratory and safety equipment. Uniform, based in Highbridge, Somerset is a major supplier of components to Monmouth Scientific, a fellow-sub subsidiary of SDI. Uniform was acquired in January 2021.



Ken Ford

Despite a volatile economic background and residual COVID disruption SDI achieved another record year, by a wide margin. The Group's business model has again shown resilience in these challenging times, enabling the Group to grow sales and profits both as the wider economy entered the COVID-related recession and as it returned to more normal times. The Group added two new businesses during the year while existing businesses within the Group also performed well, with another year of strong organic growth.

Performance

On 5 January 2022, we completed the acquisition of Scientific Vacuum Systems ("SVS"), a UK manufacturer of physical vapour deposition equipment. On 24 March 2022 SDI acquired Safelab Systems ("Safelab"), a UK manufacturer of fume cupboards. These businesses will be operated separately from our existing businesses. While SVS's technology and markets served are mostly unrelated to our current portfolio, Safelab operates in a market with which we were already familiar. Both, however, fit perfectly within our acquisition criteria, and have become part of our Sensors and Control segment. Additionally, in August 2021 Monmouth Scientific acquired the trade and assets of the Clean Tent business of Moorfield Nanotechnology, for consideration of £150,000. Total consideration for the acquisitions is forecast to be approximately £12.0m, net of cash. We warmly welcome our new colleagues to the SDI Group.

These acquisitions were funded from cash and existing debt facilities. Both companies are profitable and contribute to earnings immediately, and indeed have performed very well since joining the Group. SDI's continuing strong cash generation, along with its borrowing facilities,

ensure the Group has a good level of funding available for acquiring new companies, as well as investing in our existing companies and technologies.

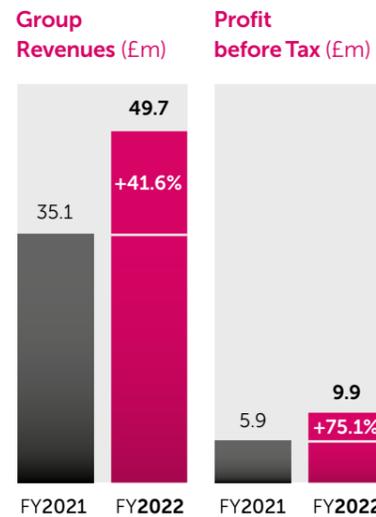
Full-year Revenues of £49.7m have increased by 41.6% from 2021 and Adjusted Profit before Tax at £11.8m is up 58.9% from the previous year. Reported Profit before Tax has increased by 75.1% to £9.9m.

This performance has been achieved through an exceptional 21.6% organic sales growth, demonstrating again continued commercial demand for the niche technologies SDI provides. Particularly of note, Atik Cameras delivered further growth with increased deliveries of specialised cameras providing the sensor function for PCR DNA amplifiers, and Astles Control Systems enjoyed record sales of control instrumentation for the beverage-can-making process. Further growth was generated by the newly acquired businesses and by the full year contributions of Monmouth Scientific and Uniform Engineering acquired in 2021.

Overall gross margin was slightly down on last year (63.8% compared with 65.2%) due to the increased mix this year of Monmouth Scientific and Uniform Engineering sales which are at lower than our average gross

margin. We have generally been able to pass through increasing raw material costs. Our overheads have increased compared with last year given an increase in sales activity and selected investments to facilitate growth. Our experienced business managers remain focused on delivering products and services that represent good value to our customers while earning an appropriate return for our shareholders.

Cash flow has also been excellent, and metrics relating to returns on capital employed are also at record high levels.



Strategy

The Group's successful buy and build strategy is unchanged. We will continue to seek targeted acquisitions, funded by earnings and cash flows from our existing businesses where possible. The Group's policy is to acquire small/medium-sized companies within the science and technology sectors with a manufacturing bias. We seek to acquire businesses with high-quality, niche technologies that have sustainable profits and cash flows and the potential to grow.

We continue to service many sectors with SDI products, particularly in the life sciences and medical sectors. Our exposure to discretionary consumer spending is limited. Our sales directly to government entities are not high, but government spending in healthcare and scientific research underpins a significant portion of our sales. Demand for Atik cameras for use in the fight against the COVID-19 pandemic continued strongly throughout this financial year and remains robust into the new financial year. We are confident that the demand related to the current pandemic will be replaced over time by demand for similar products in the broader life sciences domain.

To ensure we maintain the right level of operating capital and funding available for acquisitions, the Board has again decided not to pay a dividend this financial year but will keep this under review.

Corporate Governance

The Board takes its governance responsibilities very seriously. Our approach to our wide range of responsibilities is set out in the Corporate Governance section of our Annual Report, and as we grow, we expect to continuously improve governance towards the best practices required of a larger company.

Further detail on Corporate Governance is available on the Group's website www.sdigroup.com/investors/governance

The Board, in common with our wider team and other stakeholders, is determined that the Group play its part in addressing climate change, and indeed that we reap the benefits of being part of the solution. We wish to avoid, however, both pointless box-ticking, where possible, and exaggerated claims. We are proud of the actions taken so far, and our focus is on taking tangible steps to reduce our carbon footprint and that of our products and services.

Board

The Board of Directors remained unchanged throughout the year. Our CFO Jon Abell advised in January that he wished to retire in the Summer of 2022, and the Board followed a thorough process led by the Nomination Committee, leading to the hiring of Ami Sharma as his successor starting in August. Jon's contribution to the development and growth of the SDI Group over his tenure has been fundamental.

Isabel Napper has also decided to step down as non-executive director, which will be in August 2022 and the hiring process to find a replacement is well advanced. We wish Jon and Isabel all the best for the future.

Team

SDI now employs over 400 staff across its companies. Their skills and experience are key to the long-term sustainability of our businesses. To deliver another record year would not have been possible without their hard work and flexible approach as we return back towards normality. We operate with caution and discipline to protect our teams of employees and we offer our appreciation and thanks to them for their hard work and dedication throughout the year.

Average Employee Numbers



Headcount 2021 – 272
Headcount 2022 – 354

Outlook

Over the last seven years, since the Group's buy and build strategy gathered pace, the Group has grown its turnover from £8.4m to £49.7m and its reported profit before tax from £0.5m to £9.9m, through the excellent execution of a proven value-creating business model. While increasing shareholder returns consistently and substantially, we have also built capacity and capability to enable future growth.

The key growth drivers within our business remain organic growth and growth through acquisition. The Group is in a very strong financial position and has the resources and flexibility to support these key drivers. While mindful of the potential for further macro-economic turbulence and despite a challenging external environment, FY2023 has begun well.

Ken Ford
Chairman
21 July 2022



Mike Creedon

Our financial year from May 2021 to April 2022 coincided with the second year of the COVID-19 pandemic, under which most restrictions to normal life and work were lifted in the UK (with limited and temporary restrictions put back in place for the milder Omicron wave), and from February 2022 the start of the Ukraine conflict (which has had limited impact on the Group).

In the previous year (2020-21), while all of our businesses had remained in production throughout, with some exceptions where their customers reduced their purchases, and all businesses had to cope with uncertainty, logistics challenges, employee safety and well-being concerns, and travel restrictions. The exceptional cases, notably at our MPB and Atik Camera businesses, and at Monmouth Scientific (acquired in December 2020), had additionally the welcome challenge of significantly increased demand for products related to the diagnosis and treatment of COVID-19.

This financial year (2021-22) was thus characterised by a substantial progression towards normality, although certainly tempered by persistent travel restrictions (especially outside of Europe), trade fair

cancellations, face-to-face customer access difficulties and ongoing supply chain challenges, with difficulties in accessing some components at any cost and large price increases demanded for others in short supply. Customers resumed buying, and while the exceptional demand at MPB and Monmouth Scientific was no longer there, demand for cameras supplied into the PCR testing market remained high.

Against this background, I am pleased to report that our very flexible structure and the dedication of our staff across the Group have allowed us to maintain our growth rate, already strong in 2020-21 and previously, and we are reporting again record financial results.

Revenues and Profit

Overall revenues grew by 41.6%, of which 21.6% was organic growth and 20.0% was from the full year impact of the 2020-21 acquisitions of Monmouth Scientific and Uniform Engineering and from the contributions of Scientific Vacuum Systems and Safelab acquired in the year. Adjusted Operating Profit grew by 56.8%, mainly resulting from the organic sales growth.

SDI's digital imaging segment delivered 36.1% organic sales growth, with revenues at £21.5m and Adjusted Operating Profit at £8.5m, up 64.6%. At Atik Cameras, sales of cameras for PCR machines, previously expected to be essentially one-off due to COVID-19 demand, increased further, and in fact they are now expected to continue at least for the first half of 2022-23. At the same time, demand from our other camera customers has been recovering over the course of the year. Graticules Optics also achieved record sales, while sales at Synoptics were flat overall but 3% higher than in 2019-20.

The sensors and control segment grew sales by 46.0%, to £28.2m. Organic growth was 9.7%, and the remaining 36.3% growth was from the acquisitions of last year and this year. Adjusted Operating Profit grew 19.4% to £5.2m. Astles Control Systems grew substantially over the previous year, with a partial recovery of its global service revenue and very strong sales of equipment into new aluminium can production lines (linked to a slow transition away from plastic bottles). Sales of scientific and industrial chillers at ATC and of chemical sensors at Sentek saw good growth (last year they were flat on the previous year). MPB sales were slightly lower, without the benefit of sales of flowmeters for medical ventilators but were 13% higher than in 2019-20. Sales at Chell Instruments were also lower than in 2020-21 when they benefited from a large equipment order received pre-pandemic. The level of sales at Monmouth Scientific, acquired in December 2020, continued at a high level, although the mix in demand has shifted away from standard biological safety cabinets (used to ensure operator safety and reduce contamination in COVID-19 test equipment) towards a more normal mix of custom/modular fume cupboards, laminar flow cabinets and cleanrooms. Both Scientific Vacuum Systems (acquired in January 2022) and Safelab Systems (acquired in March 2022) delivered revenues and profits which were consistent with our modelling at the time of their acquisitions.

Basic earnings per share increased by 56.5% from 4.81p to 7.53p; fully diluted earnings per share also improved by 57.9% to 7.23p (2021: 4.58p).

We are Engineering Change...

SDI's two new acquisitions, **Scientific Vacuum Systems** and **Safelab Systems**, have great potential for growth. Their products are at the forefront of technological innovation and perform vital roles within their own specific markets.

SVS specialises in custom **Physical Vapour Deposition (PVD) systems** for the deposition of thin film coatings, typically on semiconductor wafers (shown here) used in scientific, industrial and manufacturing applications.

SDI continues to bolster its strong financial performance, delivering on its strategy and its objectives. It identifies and acquires businesses that have **strong management structures, niche products** and that would benefit from the **expertise and investment** that the Group can provide.

Getting the Chemistry Right...

The image shown here, illustrates the **SVS DCMS30 Deposition System**, designed to improve the manufacturing efficiency and speed of razor blade production by coating them with a variety of materials including Chromium, Tungsten, and Titanium.

Safelab's fume cabinets and cleanroom equipment (shown right) perform critical roles in many leading laboratories, helping to keep the UK at the leading edge of scientific research.

We have a clear development strategy and our success comes from our culture, which fosters **creativity, teamwork** and **co-operation**



Acquisitions

The UK is a centre of excellence for product innovation and manufacturing with many world-leading businesses operating in life science and technology niches. As a buy and build group, finding those businesses with niche capabilities is key to our success. The SDI Group has a reputation as a supportive owner that invests to improve staff expertise and facilities, as well as trusting subsidiary management teams with their day-to-day operations. This approach has allowed companies in our group to upgrade capacity, efficiency and safety in their manufacturing facilities and their businesses to thrive.

This year we have focused much attention on embedding last year's acquired businesses into the Group, and we have acquired two additional high-quality and profitable UK-based businesses, extending our technology and customer base and providing further scope for future organic growth.

On 5 January 2022, the Group acquired 100% of the share capital of Scientific Vacuum Systems Limited ("SVS"), for total consideration estimated at £5.5m, of which £4.5m has been paid in cash and the remaining £1.0m is contingent on

SVS achieving expected profit for the year to 30 September 2022. On the date of the acquisition, SVS had £1.25m of cash in hand. SVS specialises in custom Physical Vapour Deposition (PVD) systems for the deposition of thin film coatings typically on semiconductor wafers, for use in scientific research, industrial and semiconductor manufacturing applications, and is the market leader in the manufacture of production sputter coaters for premium brand razor blade coating. SVS brings considerable technology and engineering expertise to the Group in high vacuum and PVD applications, as well as blue chip customers, and may be a springboard for future acquisitions. SVS is based in Finchampstead, Berkshire.

On 24 March 2022, the Group acquired 100% of the share capital of Safelab Systems Limited ("Safelab") for £8.5m (including £0.2m in SDI Group shares, £5.9m in cash paid before the year end and £2.4m in cash paid after the year end). On the date of the acquisition, Safelab had £0.8m of cash in hand. The company owns its main manufacturing building valued at £1.4m. Safelab produces high specification fume

cupboards and similar cabinets, for both commercial and research laboratories and with a special focus on the education sector which requires versatile and fully featured ducted cabinets often specified in newly built or refurbished laboratory facilities. Safelab is based in Weston-Super-Mare. The acquisition follows the Group's December 2020 acquisition of Monmouth Scientific which manufactures clean rooms, fume cabinets and safety cabinets and is based in Bridgwater. The Group will maintain the identity and autonomy of both companies in their current locations, but the businesses are actively seeking and finding areas of co-operation to reduce costs and enhance their total customer offer. Our Uniform Engineering business is a supplier of sheet metal fabrications to both Monmouth Scientific and to Safelab.

We have funded the cash elements paid for both acquisitions from our existing cash resources and from our revolving credit facility with HSBC UK Bank. The acquired companies contributed £1.7m of revenues to the Group this year and as expected, both acquisitions have been earnings enhancing to the Group in 2021-22 immediately following initial acquisition-related costs.

Operations

We have now learnt to live with the pandemic, and although enhanced safety measures are still in place and some staff work some of their days from home, our focus across the Group is very much on working closely together and with our customers to build for the future.

In common with manufacturing industry across the world, and perhaps especially in the UK following Brexit, the pandemic is causing supply chain issues to all of our businesses, and a tight labour market is further forcing cost increases which have recently been compounded by the impact of Russia's invasion of Ukraine. We have been delighted with the response from our businesses' management and staff who have worked tirelessly to find solutions to component shortages, and the results can be seen in our record levels of sales and profit. We now look forward to an expansion of new product launch activity, by our customers and by our own businesses, and we believe this brings the Group new opportunities to gain market share following a period in which the focus has been on supplying existing products.

Our rolling programme of upgrading manufacturing facilities across the Group continued with the completion in March of the consolidation of Monmouth Scientific's production and administration activities from several buildings to a single purpose-built site in Bridgwater, the start of a substantial refurbishment of the Graticules Optics factory in Tonbridge, and the doubling of engineering and manufacturing space at Astles Control Systems in Princes Risborough. Such investments typically have a very good payback, as they are justified

by the capacity increase but bring many other benefits including efficiency, staff comfort, product quality and image.

While face-to-face sales activity, including trade fairs and exhibitions, remained difficult (although it has picked up substantially in the last couple of months), we have continued to make good progress with website enhancement, on-line sales, virtual selling techniques and social media activity, and we have been able to leverage our capability across the Group.

During the 2020-21 year at Atik Cameras, we strengthened the management team at both company sites, near Norwich for overall business management, sales and marketing and research and development, and near Lisbon, Portugal, for manufacturing, logistics, account management and finance. During the 2021-22 year, we have further developed the organisation so that all invoicing to customers is now direct from our Portuguese operation and the UK organisation provides management, sales and marketing and R&D services to Portugal. This has been very well received by customers.

When acquiring businesses, it is imperative for us that they have a strong management team usually led by the founder of the business. This year two of our managing directors decided to step down but I am pleased to say, still continue in consultancy roles. Steve Chambers, one of the founders of Atik Cameras, stepped down at the beginning of April 2022. He was replaced by Panos Kapetanopoulos, who was the R&D director. David Pomeroy decided to step down in December 2021 at Monmouth Scientific and was replaced by Alan Holcombe, who also remains

Managing Director at Uniform Engineering. I wish Panos and Alan well in their new roles and am certain they can be successful with the support of the SDI directors and their fellow subsidiary directors.

Cash and Liquidity

SDI has a strong balance sheet with current year-end gross cash at more than £5.1m, and £16.0m of undrawn bank facility, which remains available (unless extended) until November 2024. The Group therefore has sufficient funds that can be used, with its steady cash flow, to acquire new companies and invest in our current portfolio of profitable businesses.

Trading Outlook

Our businesses remain busy, and several are operating at full capacity with their current staffing. Finding good staff and circumventing supply chain issues are now part of daily business, and our managers have demonstrated their ability to solve these challenges and more.

We have budgeted for organic growth, and, although mindful of a possible consumer-led recession and levels of inflation that have been absent for many years, we have had a good start to the 2022-23 financial year and are confident that we can continue to trade profitably over the coming months.

The market for acquisitions appears buoyant, and SDI expects to acquire additional businesses in the 2022-23 financial year.



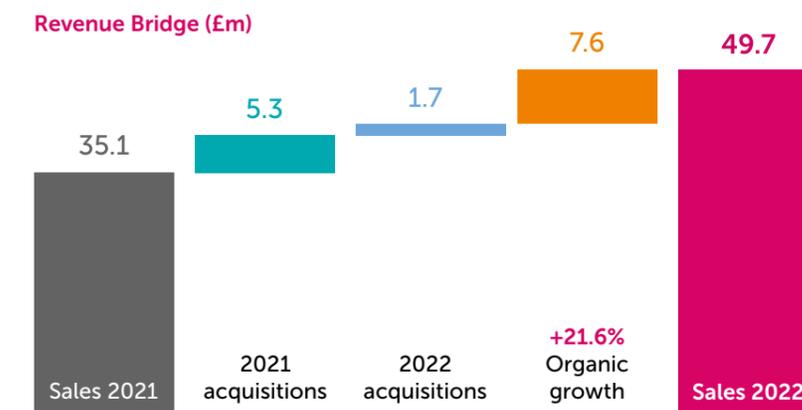
Mike Creedon
Chief Executive Officer
21 July 2022

...with the Right
People, Products
& Performance



Jon Abell

SDI Group revenues for the year were **£49.7m**, compared with £35.1m in 2020-21, **an increase of 41.6%**. Sales growth from acquired businesses, including sales of Monmouth Scientific and of Uniform Engineering in the periods to their acquisition anniversaries and post-acquisition sales of Scientific Vacuum Systems and Safelab Systems, contributed £7.0m, while **organic sales growth was £7.6m or 21.6%**. This builds on top of organic sales growth in 2020-21 of 19%.



Revenue and Profits

From the outset of the COVID-19 pandemic, in 2020-21, our Atik Cameras business received substantial orders from an existing OEM customer for cameras designed into the customer's PCR instrument. At the time, we considered these to be one-off orders, and we viewed follow-on orders from the same customer in the same light. Further and larger orders have followed in the 2021-22 year, and sales are continuing at a high rate in 2022-23. The expansion of Atik Cameras sales represents a large proportion of the Group's organic sales growth in both years. We can no longer consider these sales to be one-off, but it is also prudent to assume that at some point the demand for PCR instruments will normalise at a lower level. However, having demonstrated the efficacy and competitiveness of its camera, we also expect Atik to successively pursue a wider market for its products. Organic growth from other portfolio companies averaged 9%.

Gross profit increased to £31.7m (2021: £22.9m), with **margin reduced to 63.8%** (2021: 65.2%) due to significant product mix changes including lower than average gross margins at recently acquired companies.

Operating profit for the year was £10.2m (2021: £5.9m) and **Adjusted Operating Profit (AOP) was £12.1m** (2021: £7.7m) before reorganisation costs, share-based payments, acquisition costs and amortisation of acquired intangible assets, **an increase of 56.8%**. Significant drivers of the increase were the organic sales increase, plus the added contributions of the acquired businesses.

Investment in R&D

Under IFRS we are required to capitalise certain development expenditure, and in the year ended 30 April 2022, £0.4m (2021: £0.4m) of cost was capitalised. Much of the work of our growing R&D teams does not qualify for capitalisation and is charged directly to expense. Amortisation for 2022 were £0.4m (2021: £0.4m). The carrying value of the capitalised development at 30 April 2022 was £0.9m (2021: £1.0m) to be amortised over 3 years.

Reorganisation

The Board carried out a thorough review of the operations and cost structure of the Group and this gave rise to £0.1m (2021: £0.1m) of reorganisation costs in the year, which should bring benefits in the current year.

Acquisition Costs

The Group incurred costs of £0.3m (2021: £0.2m) in relation to stamp duty, legal fees, and other advisor remuneration for the acquisitions completed in the year.

Financing

Financing costs totalled £0.3m (2021: £0.3m), including interest costs estimated within leases.

Taxation

Taxation charge for the year was £2.3m (2021: £0.9m). Included in the charge is £0.7m representing the increase in net deferred tax liabilities due to the enacted change in UK taxation rates (from 19% to 25%) in force from March 2023. The remainder of the increase results mostly from increased profitability. Excluding the rate change on the deferred tax position the net tax rate was 16.3% (2021: 16.6%). The Group continues to benefit from R&D tax credits.

Earnings per Share

Diluted earnings per share for the Group was 7.23p (2021: 4.58p). **Adjusted diluted EPS**, an alternative performance measure which excludes certain non-cash and non-recurring expenses **was 8.71p** (2021: 5.97p), **an increase of 45.8%**.

Cash Flow and Working Capital

During the year the Group generated cash from operations of £14.7m (2021: £11.7m). In the prior year, we benefited from an increase of £3.2m in customer advanced payments received, largely related to COVID-19 related contracts in Atik. The balance of these is £1.5m lower at 30 April 2022 compared with a year ago.

Taxes paid have increased to £1.3m (2021: £1.2m). The lower payments, relative to £2.5m taxes charged to the income statement, result partly from the tax deductions available to the Group on exercise by directors and employees of share options. As noted above, taxes on the income statement also include a £0.7m non-cash charge to update deferred tax balances to the enacted future UK tax rate of 25%.

Our investment in fixed assets increased to £1.4m (2021: £0.6m) with significant investments in company-owned fixtures to our new leased building at Monmouth Scientific and at Graticules Optics.

As in prior years, our biggest investment was in the acquisition of new businesses, with £12.0m deployed on a cash-free basis (including contingent consideration) of which £0.2m in shares (2021: £6.6m of which £0.2m in shares). At the end of the year contingent consideration of £3.4m was outstanding (2021: £2.35m), of which £2.4m has been paid since the end of the year to the sellers of Safelab Systems and £1.0m remains outstanding relating to the acquisition of SVS, to be settled after 30 September 2022.

Funding

Our investments were financed out of our own cash flow, except for the issue of 117,716 shares valued at £200,000 as part payment for our Safelab Systems acquisition. Having started the year with net cash of £0.7m (£3.8m of cash less £3.1m of bank loans) we closed the year with net cash of £1.1m (£5.1m of cash less £4.0m of bank loans).

On 1 November 2021 we renewed and expanded our committed loan facility with HSBC from £7.4m to a £20m revolving loan facility, with a further accordion option of an additional £10m (at the discretion of HSBC), and with repayment date of November 2024 extendable for two further years. The new facility has been tailored to our business model with fewer restrictions on acquisitions and allows for higher leverage if necessary.

Jon Abell
Chief Financial Officer
21 July 2022

SDI Group is an AIM-quoted group specialising in the acquisition and development of a portfolio of companies that design and manufacture products for use in digital imaging and sensing and control applications in science, technology and medical markets. Corporate expansion is being pursued, both through organic growth within its subsidiary companies and through the acquisition of high-quality businesses with established reputations in global markets.

The Board believes there are many businesses operating within the market, a number of which have not achieved critical mass, and that presents an ideal opportunity for consolidation. This strategy will be primarily focused within the UK but, where opportunities exist, acquisitions in Europe and the United States and elsewhere will also be considered, particularly if these also enable geographic expansion of our existing businesses.

We intend to continue to buy stand-alone businesses as well as smaller entities and technology acquisitions which bolt onto our existing ones. Our track record over the last eight years has been good, with fifteen businesses acquired across our digital imaging and sensors and controls segments.

An important element of our strategy is that we are known to be a good acquirer, able to help sellers to achieve a sale quickly and easily, and without surprises.

We keep a lean headquarters, and our businesses are run by seasoned local management with broad discretion within defined limits. Our aim is to grow them, profitably, and we seek to provide them with the resources necessary to grow. Acquired businesses often find that they can grow faster within the SDI Group than they were prepared to do under private ownership, and they are able to learn from and share experience with other companies in the Group.

Our current businesses fall broadly into two segments, which we call Digital Imaging and Sensors & Control, and within these groupings there are significant commonalities of applications, industries served and technologies employed. This provides additional opportunity for knowledge sharing, which we encourage.

Growth in revenues and profit within our businesses depends on both technology advancement and seeking new customers, often by expanding geographical reach, and the Board sees geographical expansion as a driver of organic growth for the future.

By lowering the cost of capital of businesses we acquire and by facilitating their profitable growth, our business model has demonstrated that it can provide good returns to shareholders and can be scaled into the future.

Key Performance Indicators

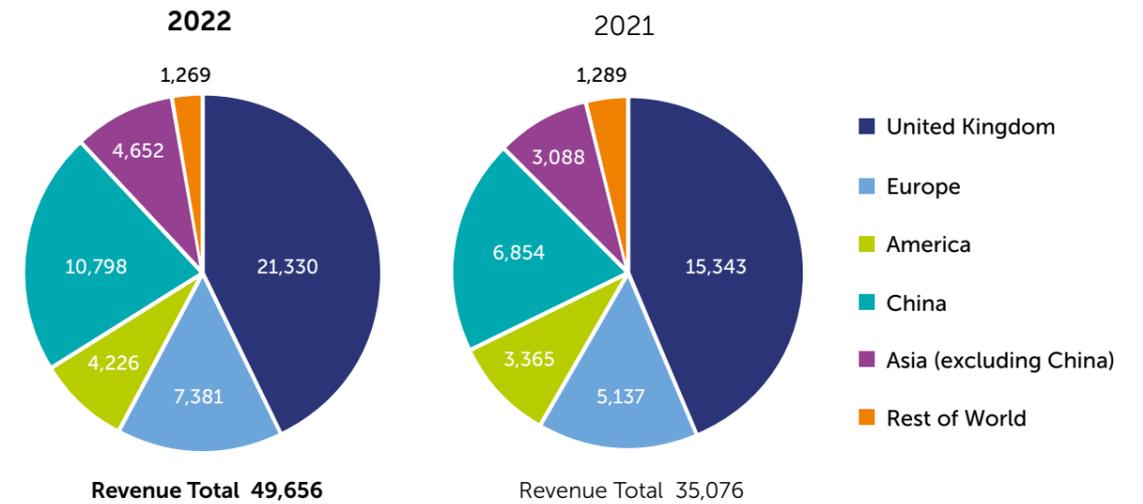
A range of financial key performance indicators are monitored for each business and for the Group as a whole on a monthly basis against budget and over time by the Board and by management, including order pipeline, revenue, gross profit, costs, adjusted operating profit, and cash.

In support of our acquisition strategy as outlined above, we monitor our acquisition pipeline, including any prospects that fail to progress. Post-acquisition, the Board discusses integration progress, and monitors financial performance against our initial plans. Over a longer period, we monitor the return on total invested capital of all of our businesses.

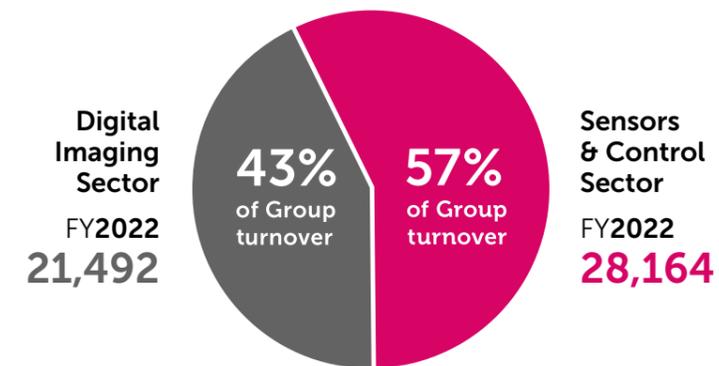
The Board regularly discusses progress in all major research and development and other projects with project and business leaders, including with respect to cost, timelines and adherence to the projects' initial objectives.

Additionally, the Board reserves a specific agenda item for discussion of health and safety and other employee welfare-related issues.

Revenue by Destination of External Customer (£'000)



Revenue by Sector (£'000)



SDI Group 7-year Share Price Performance



Statement by the directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

When making decisions, the directors of SDI Group plc must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006).

The directors are committed to developing the Group to create value for shareholders over the long term and believe that attention to the interests of all stakeholders will provide the best platform for sustained value creation.

Here we provide some detail regarding our engagement with key stakeholders, our understanding of their interests, and our actions and decisions taken which may affect them.

Shareholders and their Representatives

SDI Group plc is quoted on the AIM market and has shareholders ranging from investment funds and high net worth individuals to retail investors, directors and employees and former employees. All shareholders are entitled to share equally in the Group's success, and we aim to provide all with the information they need to understand the progress of their investment. We believe that a mixed shareholder base provides benefits to all in maintaining liquidity in the shares.

In addition to public announcements made, directors meet from time to time with some of the Group's larger shareholders and potential shareholders to discuss the state of the Group, usually following annual or interim results announcements and with the presence of our Nominated Advisor. These meetings are important in providing large investors with comfort for their investment decisions and are for many a requirement prior to investing. These meetings may be held face-to-face or by videoconference.

In recent years, we have provided via a videoconference platform the same presentation to members of the public, with the opportunity to ask questions of the presenting directors, and this has enjoyed a good level of attendance. We also welcome requests from all shareholders to speak with directors, and we will usually be able to accommodate that.

These meetings do not give attendees any insider information and presentations made are excerpts from publicly available documents such as this Annual Report.

Directors may occasionally consult with some of our larger shareholders on matters of executive benefits, to ensure that these are aligned with the expectations of the market.

The directors keep the payment of a dividend under review. We are aware that different shareholders (and current non-shareholders) may have different dividend appetites, and we cannot please everyone. Our judgement to date has been that, as a growth company with a track record of creating value through acquisitions, funds were better reserved for investment.

Customers and Suppliers

SDI Group is organised as a constellation of individual operating businesses, each with its own general management, and customer and supplier bases. Our engagement with customers and suppliers generally takes place within those businesses. Some customers and suppliers are common to several of our businesses, although we may deal with different divisions of the same group. The directors encourage our businesses to deal correctly with their customers and suppliers, and to look for long-term relationships that can add value to all parties. Our businesses report on key relationships to our executive directors and in their reports to the wider Board, and we look for opportunities to expand our relationships with good customers and suppliers across the Group. During the course of the COVID-19 pandemic, the Group took specific care to pay its suppliers to agreed terms in order to provide certainty during the pandemic.

We aim to develop new products and technologies that satisfy future customer needs and provide the highest quality and most reliable products for the markets we serve.

Employees

Our business is built on the hard work, knowledge, skills and experience of staff across the Group. We expect them to go the extra mile in looking after our other stakeholders, and they do so. Our commitment is to look after them fairly, both in economic terms and in providing a stimulating working environment where they can use and develop their capabilities to the full.

Executive directors of SDI Group engage with employees across the Group during regular visits to all locations, and the Board's policy is to rotate its meetings around the locations so that all directors can meet with staff. The Board receives monthly reports from the Group's operating businesses which include sections on staffing matters and reserves specific agenda slots for staff and health and safety matters at each regular meeting.

Key staff remuneration, and remuneration policy for the wider Group, is decided by directors, and our aim is to pay people competitively and provide additional reward for exceptional performance.

The culture at SDI Group, as experienced by our staff, is generally that of a successful small business, which is the recent history of each of our operating businesses. As part of the SDI Group, however, opportunities for career development and learning from other businesses can be enhanced, and we look for ways to develop our staff across the Group. Staff in our operating businesses are also interested and informed about the activities and performance of the wider Group.

Acquisition Partners

For SDI Group, acquisitions are not one-time events, but a repeatable process. We seek to make the process as easy as possible for sellers and for their advisors to realise their goals. Our management of the businesses post-acquisition is also a key factor in enhancing our reputation as a good acquirer. By treating sellers openly and fairly, and by executing on our commitments, we seek to remain the acquirer of choice for businesses that will fit well into the Group.

Sustainability is at the core of all that we do

SDI Group is here for the long term. Our directors expect it will long outlast them, and our owners should know that most of its value lies beyond the forecastable horizon. We believe that our business model can progress and develop indefinitely, subject to our nurturing the stakeholders that help make us successful. We would like those stakeholders to remain with us for a long time on our journey.

Consequently, sustainability is not just on our agenda, it is our agenda.

The Environment

SDI Group recognises that the significant environmental challenges facing the world, including man-made climate change, deforestation and habitat loss, and water quality and availability, must be addressed by all businesses worldwide. We understand that our trading activities have an environmental impact and that we must make real changes to reduce any negative impact.

SDI's current businesses are not big polluters, and we do not expect to acquire businesses that have a significant carbon footprint, in keeping with our sustainability agenda. At the same time, we believe that our businesses can and do contribute to reducing society's environmental impact by providing technological products that are more accurate, consume less energy and other inputs, and enable better science than those available in the past. We can be proud of the portfolio, but we must continue to innovate.

In keeping with our devolved operating model, our actions to mitigate, improve and innovate our environmental impact take place within our businesses, which respond to the demands of the markets

they operate in, to their customers, their employees and their local communities, all of whom have a stake in a more sustainable future. Initiatives implemented in the last year have included the installation of solar panels at Monmouth Scientific's new factory.

SDI operates a flat structure, and we do not currently attempt to track and consolidate environmental KPIs across the group as this would be a significant escalation of reporting requirements for little, if any, environmental impact. Our HQ role is one of encouragement and idea-sharing, and of approving investments whose sustainability impact may not be fully quantified financially. This may have to change in the future if SDI is covered by additional reporting requirements.

Social Matters

SDI Group seeks to provide, in its businesses, a challenging, enjoyable, safe and caring environment for its employees, so that they can contribute, develop and remain with the Group for the long term.

We comply with all relevant legislation, obviously including:

- **Health and safety**, where the Board reviews monthly reports from all of its businesses to ensure root causes of any issues are addressed.
- **Anti-bribery and corruption**. The Group operates on an ethical basis in all of its activities and takes all reasonable steps to ensure bribery and corruption are prevented by those working for the Company or associated with it, including third parties and agents.
- **Equal opportunities**. SDI Group is a committed equal opportunity employer. We endeavour to treat all employees equally and fairly and encourage them to apply these

principles themselves. We support staff training, appraisals and personal development and we seek to maintain a good working environment. We use professional advisors to ensure our personnel practices are up to date with legal requirements.

- **Disabilities**. The Group gives full and fair consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Employees who become disabled are provided, where practicable, with continuing employment under normal terms and conditions and are provided with training and career development where appropriate.
- **Modern slavery and human trafficking**. The Group does not tolerate any kind of coercive labour practices and strictly adheres to standards required under all relevant employment legislation.

We are mindful that the way we operate our existing businesses and treat our employees influences our attractiveness as an acquirer of new businesses, and provides a strong differentiator against competing trade or financial bidders.

Governance

Governance matters are discussed as required in the relevant section of this report. The Group's aim is to always act responsibly, ethically and in the protection of shareholders' and other stakeholders' interests, and to continue to review and evolve its governance processes as it grows in advance of expectations without simply ticking the box.

The following represent, in the opinion of the Board, the principal risks and uncertainties of the business. It is not a complete list of all the risks and uncertainties, and the priority, impact and likelihood may change over time.

Acquisitions

Acquisitions are a key element of our strategy, and the failure to identify and prosecute acquisition opportunities would impact future growth in profit and share price. The Group spends significant time and energy in identifying acquisition opportunities and receives suggestions from various sources as well as directly or through our own businesses and management. These are carefully filtered, and the most attractive ones are managed to a possible successful conclusion.

An additional important risk is that an acquisition does not provide the financial return expected. The Group's disciplined due diligence process helps to avoid this, but the Group is also able to marshal resources in support of an acquired entity's management team to help them improve performance as necessary.

Dependence on key distributors and OEM customers

Failure to effectively manage our distribution channels could damage customer confidence and adversely affect our revenues and profits. Additionally, in several of our businesses, significant amounts of our sales are to a small number of OEM customers, and any reduction in their end product sales or in our share of their purchases would impact our revenues and profits.

In order to mitigate this risk the Group dedicates significant resource to maintaining close relationships with our distributors and OEM customers, including at Group level, and we aim to provide them with products and service that match their needs.

Competition and technological obsolescence

Competition from direct competitors or third-party technologies could impact upon our market share and pricing.

In order to mitigate this risk the Group continues to invest in researching its markets and continues to offer new products in response to changing customer preferences. In addition, the Group invests in research and development to maintain its competitive advantage.

Supply chain failures

Recent events including Brexit, the COVID-19 pandemic and the Russian invasion of Ukraine have combined to make supply chain robustness a key competitive advantage. There may be further logistical disruptions resulting from the reconfiguration of borders, possibly combined with other supply chain disturbances due to the COVID-19 pandemic, shipping issues, ransomware and geopolitical events.

The Group has taken appropriate steps to minimise disruption, including some expansion of stocks, and has cooperated with customers to ensure continuity of their supply chain. The Group has also conducted a detailed review of the robustness of cyber security measures which has resulted in investment in more robust systems and procedures.

Recruitment and staffing

If the Group fails to recruit and retain individuals with the appropriate skills and experience its performance may suffer. To ensure the Group retains the highest calibre staff it has implemented a number of schemes designed to retain key individuals, both financial and non-financial, including bonuses and share option schemes.

COVID-19

The effects of COVID-19 have reduced over recent months but this is not uniform across the world and there is a risk that future developments do not follow the same course as those seen in

earlier phases, and that sales orders are reduced, production operations are disrupted, or supplies of key components are interrupted.

Over the course of last year and 2020-21, each of SDI's businesses has been profitable and cash-generative, and this suggests that the business model of SDI Group is resilient to similar risks. The Group remains alert to continuing risks.

Currency and foreign exchange

As with the majority of international companies, the Group's UK and overseas businesses purchase goods and services and sell some of their products in non-functional currencies. Where possible, the Group nets such exposures or keeps this exposure to a minimum. The Group's principal exposure is to US Dollar and Euro currency fluctuations against Pound Sterling, and in both currencies, we sell more than we purchase and we have a higher level of debtors than creditors. This typically means that a relative devaluation of the Pound results in exchange gains and an improvement in competitiveness, whereas a revaluation has the opposite effects.

We have never hedged our exposure using financial derivative products, but we do have some activity in both Europe and USA, including a factory in Portugal, which acts a partial natural hedge. However, we have established a procedure for the approval of simple hedging transactions if conditions require them. We keep cash balances in Euros and Dollars to a minimum and may take out loans under our revolving credit facility in Euros and Dollars, to reduce our net exposure to those currencies. If the Pound strengthens significantly, we will review all opportunities to realign our costs to the changed circumstances.

Liquidity

A review of the Group's exposure to liquidity risk is provided in note 26.



Ken Ford Chairman

Ken joined the Board in 2010 and became Chairman in 2012. He was previously Chief Executive of Teather & Greenwood, the investment bank, and brings over 36 years of City experience to the Company, including a strong understanding of shareholder value, strategic planning and corporate transactions. His previous roles include Aberdeen Asset Management, Morgan Grenfell and Wedd Durlacher. Ken is currently non-executive Chairman of Gear4music and CMO Group plc both of which are AIM-listed. He is a Fellow of the Chartered Securities Institute.



Mike Creedon Chief Executive Officer

Mike joined the Board in 2010 as Finance Director, and was appointed CEO in 2012, maintaining also the Finance Director role until July 2018. A Chartered Certified Accountant with an MBA from Henley Management College, Mike brings to SDI considerable experience of working within quoted companies and technology businesses, and fundraising, mergers and acquisitions. In particular, he has recent experience of AIM-listed technology companies.

Previous Finance Director posts include Ninth Floor plc and Ideal Shopping Direct Limited.



Jon Abell Chief Financial Officer

Jon joined the Board in July 2018 and has over 35 years of business experience. Prior to joining SDI, he was Divisional VP of Finance, Electronic Instruments Group at Ametek, Inc. where his principal duties include performance management, M&A, business controls and accounting for several scientific and industrial instrument businesses.

Jon started his career with industrial companies in the UK and in Italy, before obtaining his MBA at Columbia Business School in New York. He subsequently went on to senior financial management roles in Germany, the Netherlands, USA and UK including at Philips Electronics and Broadcom Inc.

Jon announced in January 2022 his decision to retire from the Board in the Summer of 2022.



Isabel Napper Non Executive Chair of the Remuneration and Nomination Committee

Isabel joined the Board in February 2017 and has more than 25 years' experience in advising clients in the technology and healthcare/life science areas, both public and private sector, leading on business development and managing regulatory issues, governance risk and strategic change. Isabel was previously a Partner at the law firm Mills & Reeve where she acted as legal adviser and company secretary to a number of boards. Her extensive business development and marketing skills have been invaluable to the Board. Isabel is also a non-executive director at Tristel plc and Keystone Law group plc.

Isabel has announced that she will step down from the Board in August 2022.



David Tilston Non Executive Chair of the Audit Committee

David joined the Board in July 2017. He is a Fellow of both the Institute of Chartered Accountants in England and Wales and the Association of Corporate Treasurers. He has over 30 years' experience in finance functions within public companies, including at Group CFO level, most recently at Northgate plc and Consort Medical plc. He is currently Audit Committee Chairman and a member of the Remuneration Committee at AIM listed EnSilica plc. David was formerly a non-executive director at Sepura plc which was listed on the main market. David is also Treasurer and Trustee at British Exploring Society, a youth development charity.

Chairman's Introduction

As Chairman I am responsible for the leadership of the Board and for ensuring the Board's effectiveness. I also have the responsibility for conducting Board meetings and making sure that there is effective and timely communication to our shareholders. In my role as Chair, I also provide advice, counsel and support to the executive.

The 2018 QCA Corporate Governance Code

The AIM Rule 26 introduced during our 2019 year requires the Group to follow a recognised corporate code of governance. The Board, after due consideration, agreed to follow the 2018 QCA Corporate Governance Code after concluding that it was the one best suited to SDI's business, aims and ambitions. The Board believes that the Group complies with the Code, but is committed to continuously improving its governance over time.

Here we explain how we implement the 10 principles of the QCA Corporate Governance Code in practice.

Principle	Commentary	Further Information
1 A strategy and business model which promotes long-term value for shareholders	The Board has a shared view of SDI's purpose, business model and strategy. Our vision is to develop our existing technologies and to grow through strategic acquisitions. We believe that acquiring companies which complement the capabilities within SDI will promote organic growth and give us the opportunity to explore challenges and new markets within the fast-evolving science and technology sectors.	The Strategy section of this Annual Report and our website
2 Understanding and meeting shareholder needs and expectations	Responsibility for shareholder liaison rests principally with our CEO supported by our CFO. However, all our Board members attach a high degree of importance to providing shareholders with clear and transparent information on the Group's activities, strategy and financial position. The Board holds meetings with institutional investors and other large shareholders following the release of the interim and financial results, and in recent years has also presented to smaller shareholders and the general public using the same material with opportunity to ask questions and provide feedback to the Board. We regard our Annual General Meeting as a good opportunity to engage directly with shareholders through a question-and-answer session. We provide the market and shareholders with the results of AGM and GM voting via RNS and other communication channels including the Group's website.	Details of all shareholder communications are provided on our website
3 Taking account of wider stakeholder and social responsibilities and their implications for long-term success	SDI's vision involves encouraging our subsidiary businesses to work together to help advance medical and scientific knowledge, increase the technical capabilities of industry and ultimately improve the standard of living of the population as a whole. As well as that overarching purpose, the Board recognises that long-term business success relies on good relations with a range of different stakeholder groups both internal and external such as staff, suppliers and customers. We also seek to understand the impact our business activities have on the communities in which we operate and consider our corporate social responsibilities and how these issues are integrated into our long-term strategy. We encourage feedback from all our stakeholders and where appropriate use that feedback to shape our future direction e.g., new methods or product offerings.	The "Section 172" report presented on pages 22-23 in this Annual Report provides further information

Principle	Commentary	Further Information
4 Embed effective risk management, considering both opportunities and threats, throughout the organisation	<p>We have addressed the principal risks we face by the appointment of an experienced executive team supported by experienced non-executive directors and a team of appropriately qualified professional advisers.</p> <p>Our executive directors are closely involved in the day-to-day operations of the Group and of our operating subsidiaries and report to the Board in detail at regular intervals. Relevant papers are distributed to members of the Board in advance of Board and Committee meetings. Detailed financial reports of the Group's financial performance are also provided on a regular basis.</p> <p>Our directors' knowledge and understanding of the Group is further enhanced by on-site visits to operational units; directors also receive presentations from senior management on the performance and strategies of their business units.</p> <p>We have included in our strategy meetings with our operating subsidiaries a specific agenda item on risk management, to understand individual business risks and to confirm appropriate mitigating actions.</p> <p>Directors also have the contractual right to take independent professional advice on any matter – at SDI's expense – if they deem it necessary in order to carry out their responsibilities.</p>	The Principal Risks and Uncertainties section of this Annual Report sets out some of the principal risks and uncertainties faced by the Group
5 Maintaining the Board as a well-functioning, balanced team led by the Chair	<p>Our Board consists of two executive directors (CEO and CFO) together with the Chairman and two independent non-executive directors. We believe this to be a good balance for a business of our size. Due to their working backgrounds and professional experience the non-executive directors provide a solid foundation for good corporate governance for the Group. They are also independent of management and ensure that no individual or group dominates the Board's decision-making process.</p> <p>To ensure the Board functions well, our non-executive directors are requested to attend eleven Board and Board Committee meetings per year. They are also required to be available at other times between meetings when necessary for face-to-face and phone/web meetings. We also hold an annual strategy meeting at which directors' attendance is mandatory. Each non-executive director must demonstrate that they have sufficient time to devote to our business.</p> <p>To support the Board, we have put in place Audit, Remuneration and Nomination Committees all of which have agreed formal terms of reference.</p>	<p>Biographies of the Directors are presented on page 26 in this Annual Report and on our website.</p> <p>Reports of the Board committees are also presented on pages 32-33 in this Report.</p>
6 Ensuring the directors have the necessary up-to-date experience skills and capabilities	<p>Our directors have been chosen because of the skills and experience they offer. Of our five directors one is female and four are male. All have listed company experience and one was the CEO of an investment bank, three are accountants, one a lawyer.</p> <p>Our directors attend industry and regulatory learning and networking events in order to keep up to date with relevant developments.</p>	Biographies of the Directors are presented on page 26 in this Annual Report and on our website.
7 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	<p>We undertake annual monitoring of personal and corporate performance. The responsibility for assessing and monitoring the performance of the executive directors lies with the independent non-executive directors.</p> <p>Agreed personal objectives and targets are set each year for the executive directors and performance measured against these metrics.</p> <p>Again this year we performed a formal Board evaluation process. The process was led by our Chairman assisted by the Chair of the Nominations Committee and required directors to answer a set of questions setting out their views on the effectiveness of the Board and on the value of their Board contributions. The results of that assessment process were used by the Chairman to facilitate discussions with each individual director and with the Board as a whole. The questions were based around issues arising from the ten principles of the QCA Code and the results have assisted in continuing our focus on strategy and risk management.</p>	

Principle	Commentary	Further Information
8 Promote a corporate culture that is based on ethical values and behaviours	<p>We believe it is the responsibility of the Board and senior leaders to ensure that the culture of our organisation is based on ethical values and behaviours. As well as leading by example, our ethics-based culture is promoted through our business behaviours, decisions, processes and operations, as well as the management of the risk of ethical misconduct.</p> <p>In addition, we have mechanisms to support high ethical standards – e.g., for raising concerns and reporting misconduct. We also aim to include ethical criteria in recruitment and in performance appraisals and have detailed policies relating to important issues such as discrimination, harassment, bribery and corruption, and conflicts of interest. We expect all our staff to adhere to these high standards.</p> <p>We are keen to invest in our people not just our companies. With that in mind we seek to make our workplaces a better environment and to encourage all our staff to undergo relevant training and development.</p>	
9 Maintain governance structures and processes that are fit for purpose and support good decision making by the Board	<p>Our non-executive directors scrutinise the performance of management against the Group's objectives and also monitor the reporting of performance.</p> <p>The Board has considered mechanisms by which the business and the financial risks facing the Group are managed and reported to the Board. The principal business and financial risks have been identified and control procedures implemented. The Board acknowledges its responsibility for reviewing the effectiveness of the systems that are in place to manage risk.</p> <p>To achieve this aim the Board has a formal schedule of matters specifically reserved to it for decisions including the approval of annual and interim results and recommendation of dividends, approval of annual budgets, approval of larger capital expenditure and investment proposals, review of the overall system of internal control and risk management and review of corporate governance arrangements.</p> <p>Other responsibilities are delegated to the Board Committees, being the Audit, Remuneration and Nomination committees, which as explained in section 5 above operate within clearly defined terms of reference, and which report back to the Board.</p>	Reports of the Board committees are also presented on pages 32-33 in this Report.
10 Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<p>We have set out in section 2 above how we maintain a regular dialogue with our shareholders including welcoming all shareholders to our AGMs.</p>	Further information and the resolutions put to a vote at annual general meetings can be found on our website.

The Board

The Board comprises the Chairman, two Executive Directors and two Non-Executive Directors. The Non-Executive Directors are considered to be independent, provide a solid foundation for good corporate governance for the Group, and ensure that no individual or group dominates the Board’s decision-making process. The Non-Executive Directors are independent of management. Each Non-Executive Director must continue to demonstrate that they have sufficient time to devote to the Company’s business and attendance at Board and Committee meetings is summarised later in this report.

The Non-Executive Directors constructively challenge and assist in developing the strategy of the Group using their experience and knowledge of acquisition targets and fundraising. They scrutinise the performance of management against the Group’s objectives and also monitor the reporting of performance. The Board is provided with regular and timely information on the financial performance of the Group as a whole, together with reports on trading matters, markets and other relevant matters.

There are clearly defined roles for the Chairman and CEO. The Chairman is responsible for leadership of the Board, ensuring effectiveness of the Board in all aspects, conducting Board meetings and the effective and timely communication of information to shareholders. The Chairman is able to provide advice, counsel and support to the Chief Executive. The Chief Executive has direct charge of the Group’s day-to-day activities and sets the operating plans and budgets required to deliver the agreed strategy. The Chief Executive is also responsible for ensuring that the Group has in place appropriate risk management and control mechanisms.

The Board is collectively responsible for the performance of the Group and is responsible to shareholders for proper management of the Group. A statement of Directors’ responsibilities is given on page 36 and a statement on going concern is given on pages 37-38.

The Board has a formal schedule of matters specifically reserved to it for decisions including the approval of annual and interim results and recommendation of dividends, approval of annual budgets, approval of larger capital expenditure and investment proposals, review of the overall system of internal control and risk management and review of corporate governance arrangements. Other responsibilities are delegated to the Board Committees, being the Audit, Remuneration and Nomination committees, which operate within clearly defined terms of reference, and which report back to the Board.

Relevant papers are distributed to members in advance of Board and Committee meetings. Directors’ knowledge and understanding of the Group is enhanced by visits to the operations and by receiving presentations by senior management on the results and strategies of the business units. Directors may take independent professional advice on any matter at the Company’s expense if they deem it necessary in order to carry out their responsibilities. The Company has secured appropriate insurance cover for Directors and Officers.

Board Committees

The following committees deal with specific aspects of the Group’s affairs.

Audit Committee

The Audit Committee, which is chaired by D. Tilston and has I. Napper as the other member, meets not less than twice annually and more frequently if required.

The Board considers that both members of the Audit Committee have recent and relevant financial experience and an understanding of accounting and financial issues relevant to the industries in which SDI Group operates. The Committee provides a forum for reporting by the Group’s external auditors. Where appropriate meetings are also attended by the Chairman and executives at the invitation of the Committee.

A report of the Audit Committee is provided on page 32.

Remuneration Committee

A report of the Remuneration Committee and the Directors’ remuneration report can be found on pages 33-35.

Nomination Committee

This Committee is chaired by Isabel Napper and has David Tilston as its other member and meets at least once per annum. Where appropriate meetings are also attended by the Chairman, the CEO and the CFO at the invitation of the Committee.

The Nomination Committee focuses on evaluating the Board of Directors, examining the skills and characteristics which are needed in Board candidates, and on succession issues. Its principal focus during the last financial year was in continuing to assist the Chairman with the Board evaluation process as set out in Principle 7 of our Governance Statement (page 28) and in leading the process of recruitment for the CFO following Jon Abell’s announcement of his intended retirement.

Attendance at Board and Committee Meetings

The members’ attendance at Board and Committee meetings during the year is disclosed in the table below. Ken Ford retired from the Remuneration Committee at the start of the year.

	Board	Audit	Remuneration	Nomination
K Ford	11/11	–	1/6	–
M Creedon	11/11	–	–	–
I Napper	10/11	4/4	6/6	1/1
D Tilston	11/11	4/4	6/6	1/1
J Abell	11/11	–	–	–

Conformance with Best Practice

The Board has reviewed its composition against certain non-statutory “best practice” guidelines and makes the following observations:

That remuneration of non-executive directors should be with basic fees only (excluding historical, one-off options grants if the quantum is not considered material)

- The Group awarded one-time share option awards on appointment in 2017 and 2018 to its current non-executive directors, and these were considered at the time to be not material, although they became more valuable over time. These have since been exercised, and the Board does not expect to make further awards to non-executive directors. The Board therefore considers its non-executive directors to be independent of management and expects them to exercise their independence to the fullest extent.

That the remuneration committee should not include non-independent or executive members

- Ken Ford has retired from the remuneration committee, and therefore all members are independent.

That the Company Secretary should not be an executive director

- The Board members have significant external Board of Directors’ experience and are aware that they may seek independent professional advice at the company’s expense to discharge their duties. The Board believes that the company is currently best served by combining the roles of CFO and Company Secretary, in the interests of efficiency and cost. This will be reviewed on appointment of a new CFO in replacement of Jon Abell who is retiring.

The Board expects to keep any such matters under at least annual review.

I am pleased to present the Audit Committee report for the year ended 30 April 2022.

Composition of the Committee

The Committee consists of myself (as Chairman) and Isabel Napper. The Chairman, Executive Directors and Group Financial Controller may be invited to attend Committee meetings if required. During the year, the Committee met four times, to approve the audit plan, review the audit conclusions and interim findings and to consider other matters delegated to the Committee. The Board is satisfied that I, as Chairman of the Committee, have recent and relevant financial experience. I am a Chartered Accountant; I have served as Group Finance Director in several quoted companies and have prior experience as an Audit Committee Chairman. I report the Committee's activities at Board meetings and the minutes of each meeting are made available to all members of the Board. The Committee has satisfactorily completed a self-assessment exercise on its effectiveness using externally sourced material.

Responsibilities

The Committee's main duties are to:

- ensure the integrity of the financial statements (including annual and interim accounts and results announcements);
- review significant financial reporting judgements and the application of accounting policies thereon;
- ensure the Annual Report and Accounts are fair, balanced and understandable and recommend their approval to the Board;

- manage the relationship with the Group's external Auditor and review their suitability and independence;
- negotiate and approve the external Auditor's fee, the scope of their audit and terms of engagement;
- advise on the appointment of external Auditors and to review and monitor the extent of the non-audit services undertaken by the Group's external Auditor;
- review of the risk management and internal control systems;
- review the assessment of going concern; and
- assess the need for an internal audit function.

Role of the External Auditor

The Committee monitors the relationship with its external Auditor, Grant Thornton UK LLP, to ensure that auditor independence and objectivity are maintained. As part of its review the Committee has established a policy in respect of the provision of non-audit services by the external Auditor which it monitors. No issues impacting upon the Auditor's independence were observed or brought to the Committee's attention.

Audit Process

The external Auditor prepares an audit plan for its review of the full year financial statements. The audit plan sets out the scope of the audit, specific areas of risk to target and the audit timetable. This plan is reviewed and agreed in advance by the Committee. Following completion of audit fieldwork the Auditor presented their findings to the Committee for discussion, including accounting judgements undertaken in respect of various matters including acquisition accounting and research and development capitalisation.

Internal Audit

At present the Group does not have a formal internal audit function and the Committee will keep this matter under review as the Group's activities expand.

Risk Management and Internal Controls

The Corporate Governance Statement on pages 27-31 explains the measures taken to embed effective risk management throughout the Group which is dependent upon the close involvement of the executive directors in the day-to-day operations of the Group, the strength of subsidiary management teams and reporting from the operating subsidiaries. The Group Financial Controller reports to the Committee on any internal controls' weaknesses identified during his visits to subsidiaries. The Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. The Committee has reviewed the framework by (a) receiving papers and discussing oversight practices with the Group CEO, Group CFO and Group Financial Controller and (b) receiving a report from the external auditors on observations made during their audits of operating subsidiaries and determined that it remains appropriate for the Group's current scale of operations.

David Tilston
Chairman
Audit Committee
21 July 2022

On behalf of the Board, I am pleased to present the report of the Remuneration Committee for the year ended 30 April 2022.

The Committee is chaired by myself and has David Tilston as its other member. Other regular attendees, at the invitation of the Committee, include the Chairman, the CEO and the CFO.

We meet as a Committee at least two times every year and our role is to determine the Group's policy for executive remuneration and the individual remuneration packages for executive directors together with other designated senior management. A particular function of the Committee is the approval of all awards of share options to directors and staff. The Committee's terms of reference are available on the Group's website.

In setting the Group's remuneration policy, the Committee considers a number of factors including the following:

- Salaries and benefits available to executive directors of comparable companies;
- The need to both attract and retain executives of appropriate calibre; and
- The continued commitment of executives to the Group's profitable growth and sustainable development through appropriate incentive schemes (including the award of shares and share options).

Remuneration of Executive Directors

Consistent with this policy, the benefit packages awarded to our executive directors comprise a mix of basic salary and performance-related remuneration aimed at incentivising executive behaviour to achieve the Group's goals. We are keen to ensure that the package

is simple and straightforward so that there is a clear link between Group performance and executive remuneration.

The remuneration packages cover the following elements:

- Base salary: the Remuneration Committee sets base salaries to reflect the responsibilities and the skills, knowledge and experience of the individual and the complexity of the role;
- Bonus Scheme: the executive directors are eligible to receive a bonus dependent on both individual and Group performance as determined by the Remuneration Committee. This has been capped at 50% of the individual's salary;
- Long-Term Incentive Plan shares: the executive directors are eligible to receive share options, related to Group performance under the terms of a long-term incentive scheme determined by the Remuneration Committee;
- Equity: share options awarded as appropriate; and
- Group contribution into a personal pension scheme, life assurance, and private medical insurance.

The CEO and CFO are engaged under separate contracts which require a notice period of six months given at any time by the Group or the individual.

During the 2021-22 year, the Committee engaged remuneration consultants to benchmark the compensation of the executive directors, following several years of significant growth of the Group under current management and a period under the COVID-19 pandemic during which the Group's performance had been strong but compensation increases had been limited. It was decided to

award salary increases in a phased approach, with an interim increase awarded in January 2022 and further adjustments expected in 2022-23. The need to review in 2022-23 the levels of all elements of the remuneration packages for the CEO and CFO has also been informed by the recruitment process for a replacement for Jon Abell as CFO.

The details of the those awards already made under the LTIP scheme are set out in the Remuneration Report on pages 34-35.

Remuneration of Chairman and Non-Executive Directors

The fees paid to the non-executive directors are determined by the Board. The non-executive directors each received a single award of share options on appointment in 2017 and 2018, but these have since been exercised. The Chairman has participated until now in the Group's LTIP scheme. The Chairman and non-executive directors do not receive any other forms of benefits such as medical insurance or pension.

The Chairman and the non-executive directors are engaged under service contracts each of which provide that notice of three months can be given at any time by the Group or the individual.

Isabel Napper
Chairman
Remuneration Committee
21 July 2022

Statement about Basis of Preparation

While not a statutory requirement, SDI has produced this report, to be read in conjunction with the Report of the Remuneration Committee, to comply with AIM rule 19 and also meet the requirements of the QCA code.

Directors' remuneration and pension entitlements

The remuneration of the Directors is set out below:

	Salary / Fees £'000	Bonus £'000	Taxable Benefits £'000	Share-based payment charge £'000	Pension £'000	2022 Total £'000	2021 Total £'000
K Ford	58	–	–	40	–	98	83
M Creedon	187	55	2	85	9	338	291
I Napper	34	–	–	–	–	34	30
D Tilston	34	–	–	–	–	34	35
J Abell	134	32	2	66	7	241	229
	447	87	4	191	16	745	668

Directors' beneficial interests

During the year, 5 directors exercised options over the Ordinary shares of the Company realising a gain on exercise of £4,343k (2021: Enil). The share-based payment expense totalled £191k (2021: £202k).

Directors' beneficial interests in shares in the Company are set out below:

	2022 Number	2021 Number
K Ford	1,015,217	1,250,000
M Creedon	774,625	442,452
I Napper	65,000	65,000
D Tilston	100,000	90,000
J Abell	371,739	100,000

None of the Directors had or has an interest in any material contract relating to the business of the Company or any of its subsidiary undertakings.

Directors' beneficial interests in share options in the Company are set out below:

	2022 Number	2021 Number
K Ford	175,835	850,672
M Creedon	712,974	1,952,327
I Napper	–	250,000
D Tilston	–	250,000
J Abell	645,864	1,134,103

Service contracts

The service contracts with M Creedon dated 25 April 2010 and with J Abell dated 4 April 2018 include a notice period of six months if given by either party.

The non-executive Directors' service contracts and the service contract of the Chairman include a notice period of three months if given by either party.

Long-Term Incentive Plan ("LTIP")

This LTIP was introduced in December 2018 to provide an effective mechanism for senior executives to participate in the company's equity, aligning their interests with those of the shareholders. The LTIP scheme overall has a duration of ten years and provides for a maximum of 10% of the company's equity to be granted (under all schemes) to executives in that period, subject to performance conditions which are set for each award. Awards under the scheme in previous years have been made in December 2018 and in March 2020.

An award was made on 01 October 2021 with performance conditions based for 50% on the growth in fully-diluted Earnings Per Share in the three years starting 1 May 2021 and for 50% on the total shareholder return over three years for SDI shareholders compared with a basket of twenty comparable companies. Subject to the rules of the LTIP, vesting is on the third anniversary of the date of grant, to the extent that the performance conditions are met, with a minimum holding period of four years including the vesting period.

The directors participating in the scheme at the date of this report and their maximum respective entitlements under the scheme to shares in SDI Group plc are as follows:

	01 October 2021 award	Total Awards
K Ford	40,380	175,835
M Creedon	62,820	273,502
J Abell	33,500	145,864

On 21 December 2021, 100% of the options awarded under the scheme in December 2018 vested.

The above table is a subset of the share option table on the previous page.

The market price of the company's shares at the end of the financial year was 149p and ranged from 136.5 to 217p during the year. The exercise price of the ordinary options ranges from £0.172 to £1.740, and of LTIP options is £0.010.

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report comprising Strategic Report, Governance Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have to prepare consolidated financial statements in accordance with applicable law and international accounting standards in conformity with the requirements of the UK-adopted international accounting standards and have elected to prepare separate parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS101 Reduced Disclosure Framework). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and the profit or loss of the Company and the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable international accounting standards in conformity with the requirements of the UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company or the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware there is no relevant audit information of which the Group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group Results

The Group's profit for the year after taxation amounted to £7.5m (2021: £4.7m) and has been transferred to reserves.

All KPIs and risks are disclosed in the Strategic Report on pages 20 and 25.

The Board does not recommend the payment of a dividend.

Directors

The directors who served during the year are set out below.

K Ford | M Creedon | I Napper | D Tilston | J Abell

The interests of the directors and their families in the share capital of the Company are shown in the directors' remuneration report on page 34-35.

The appointment and replacement of directors of the Company is governed by its Articles of Association and the Companies Act 2006. The Articles of Association may be amended by special resolution of the shareholders.

The Company must have a minimum of two directors holding office at all times. There is no maximum number of directors. The Company may by ordinary resolution, appoint any person to be a director. The Board may appoint a person who is willing to act as director, either to fill a vacancy or as an addition to the Board. A director appointed in this way may hold office only until the dissolution of the next Annual General Meeting unless he or she is reappointed during the meeting.

Directors' Indemnities

The directors have the benefit of an indemnity from the Company in respect of liabilities incurred as a result of their office. This indemnity is provided under the Company's Articles of Association and satisfies the indemnity provisions of the Companies Act 2006. The Company has taken out an insurance policy in respect of those liabilities for which the directors may not be indemnified. Neither the indemnity nor the insurance provides cover in the event that a director is proved to have acted dishonestly or fraudulently.

Power Of Directors

The directors are responsible for the management of the business of the Company and may exercise all powers of the Company subject to applicable legislation and regulation and the Memorandum and Articles of Association.

At the Annual General Meeting held on 21 September 2021, the directors were given the power to:

- **Allot ordinary shares up to an aggregate nominal value of £330,000;**
- **Issue equity securities for cash, otherwise than to existing shareholders in proportion to their existing shareholdings, up to an aggregate nominal value of £49,500.**

Similar powers will form part of the resolutions to be put to the forthcoming AGM expected to be held on 21 September 2022.

Going Concern

The consolidated financial statements have been prepared on a going concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out within this Strategic report. The financial position of the Group, its cash flows, and liquidity position are provided in the financial statements on pages 54-57.

The Group ended 2022 with net cash of £1.1m compared to £0.7m at 30 April 2021 and generated cash from operations of £14.7m. This cash generation arose from the strong performance of the Group's principal operating companies, enabled by 21.6% organic growth, and was mostly deployed in acquiring profitable businesses. In addition, the Group also increased its borrowing facilities on 01 November 2021 to £20m and extended the repayment date to November 2024, providing the Group with greater certainty over long-term liquidity. An amount totalling £4m is currently drawn down under this facility (see note 20).

Going Concern (continued)

The Board have considered the ongoing impacts of the Covid-19 pandemic and the war in Ukraine, including their effects on the wider economy. The Group is in a strong financial position with high cash balances and available facilities, sufficient headroom on all covenants associated with the debt, good profitability and a strong future order book, enabling it to face any reasonable likely challenge of the continued uncertain global economic environment. The Board has reviewed forecasts for the period to 31 October 2024, including severe downside scenarios which the Board considers extremely unlikely and would not cause any significant challenges to the Group's continued existence.

The Board therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Post Balance Sheet Events

There are no events to note.

Research and Development

Each of the Group's businesses devotes appropriate resources to maintaining and expanding its competitive position by researching and developing new products and processes as well as updating existing products. 51 employees were employed for development activities in the year (2021: 42).

Future Development

The directors expect that the Group will continue to execute its strategy of acquiring and managing niche technology businesses.

Structure of Share Capital

As at 30 April 2022 the Company's authorised share capital was £10,000,000 comprising 1,000,000,000 ordinary shares of 1p each. As at 30 April 2022 the Company had 102,199,676 (2021: 98,408,164) ordinary shares in issue with a nominal value of 1p each.

Corporate Governance

Corporate Governance is discussed on pages 27-31.

Financial Risk Management Objectives and Policies

Financial risk management objectives and policies are discussed in note 26.

Employee Engagement with other Stakeholders

The company engages with its employees and other stakeholders as disclosed in the Section 172(1) statement on pages 22-23.

Health and Safety Policies

The Group is committed to conducting its business in a manner which ensures high standards of health and safety for its employees, visitors and general public. It complies with all applicable and regulatory requirements.

Streamlined Energy and Carbon Reporting ("SECR")

The Group does not report under SECR as none of its subsidiary undertakings are large companies. The parent company is exempt from reporting as it is a low energy user consuming less than 40MWh per annum.

Substantial Shareholdings

As of 21 July 2022 the Company is aware of the following shareholders who hold an interest of 3% or more in the Company's ordinary share capital.

	Number of ordinary shares	Percentage of share capital
Berenberg Wealth and Asset Management	9,651,726	9.44%
Herald Investment Management	8,178,149	8.00%
Danske Bank A/S	6,980,310	6.83%
Business Growth Fund	6,336,526	6.20%
JPMorgan Asset Management	5,010,000	4.90%
Tellworth Capital	4,740,329	4.64%
Octopus Investments	3,719,640	3.64%
Hargreaves Lansdown	3,629,335	3.55%
Killik stockbrokers	3,463,534	3.39%
Charles Stanley	3,123,307	3.06%

Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditors for the ensuing year will be proposed at the Annual General Meeting in accordance with section 489 of the Companies Act 2006.

On behalf of the Board



Ken Ford
Chairman
21 July 2022



Mike Creedon
Chief Executive Officer
21 July 2022

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of SDI Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 April 2022, which comprise the **Consolidated Income Statement & Statement of Comprehensive Income**, the **Consolidated Balance Sheet**, the **Consolidated Statement of Cash Flows**, the **Consolidated Statement of Changes in Equity**, the **Notes to the Consolidated Financial Statements** including a summary of significant accounting policies, the **Company Balance Sheet**, the **Company Statement of Changes in Equity**, and the **Notes to the Company Financial Statements** including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 April 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the Group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining management's base case forecasts covering the period to 31 October 2024, assessing how these forecasts were compiled and assessing their appropriateness by applying sensitivities to the underlying assumptions, which we also challenged;
- assessing the accuracy of management's forecasting by comparing the reliability of past forecasts to past actual results;
- obtaining management's downside scenarios prepared to assess possible risks to going concern, and management's mitigating actions; and
- assessing the adequacy of related disclosures within the Annual Report 2022.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Group's and the parent company's business model including effects

arising from macro-economic uncertainties such as the Ukraine crisis and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Group's and the parent company's financial resources or ability to continue operations over the going concern period.

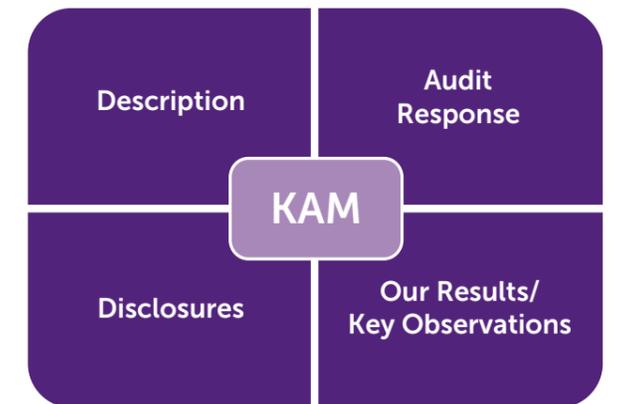
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.

Overview of Our Audit Approach

Overall materiality:
Group: £503,000, which represents 5% of the Group's profit before tax at the planning stage of the audit.
Parent company: £377,000, which represents 2% of the parent company's total assets at the planning stage of the audit, capped due to the aggregate of the Group's significant component materialities exceeding the firm's permitted multiple.

Key audit matters were identified as:

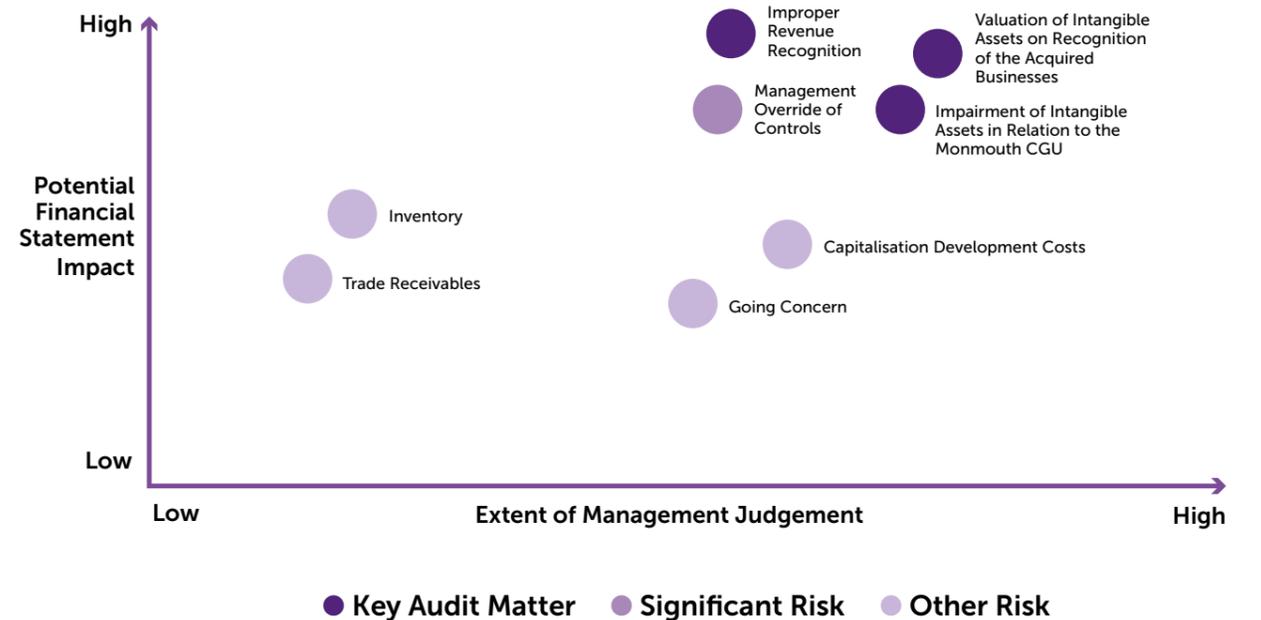
- Improper revenue recognition (same as previous year);
- Valuation of intangible assets on recognition of the acquired businesses (same as previous year); and
- Impairment of intangible assets in relation to the Monmouth CGU (new this year).

Our auditor's report for the year ended 30 April 2021 included one key audit matter that has not been reported a key audit matter in our current year's report. This relates to going concern, which has no longer been assessed as a significant risk.

We performed an audit of the financial information using component materiality (full-scope audit) for the parent company, SDI Group plc, and four other significant components of the Group. This gave coverage of 74% of the Group's total assets, 54% of the Group's revenue and 73% of the Group's profit before tax.

We performed an audit of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit) for the eight non-significant UK Group components. This gave additional coverage of 23% of the Group's total assets, 40% of the Group's revenue and 25% of the Group's profit before tax.

Analytical procedures were performed for all other components of the Group that were neither significant nor material. There were no changes to the audit approach from the prior year.



Key Audit Matter – Group	How our scope addressed the matter – Group
<p>Improper Revenue Recognition</p> <p>We identified improper revenue recognition as one of the most significant assessed risks of material misstatement due to fraud.</p> <p>There is an underlying incentive for performance to be inflated through inaccurate revenue recognition. This risk is therefore judged to be due to fraud.</p> <p>The Group has recognised revenue of £50m (2021: £35m) in its consolidated income statement during the year, which is comprised of revenue from sales of goods and income from service contracts.</p> <p>As the Group’s revenue comprises various individually material streams which are either recognised at a point in time or over time in accordance with IFRS 15 ‘Revenue from Contracts with Customers’, the risk that revenue may be improperly recognised has been identified as a significant risk. This significant risk was pinpointed to transactions that did not follow the normal business process for certain subsidiaries, or for a single contract which was highly material in relation to one subsidiary, or for service contracts the significant risk was pinpointed to the last quarter of the year where the risk of incomplete deferred income was greatest.</p>	<p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> ● obtained an understanding of the process followed for the recognition of revenue and tested the design and implementation of relevant controls. From the work performed, we noted two significant control deficiencies in relation to service revenue at the component Monmouth Scientific Limited, and as a result, we extended our detailed testing in this area to address the increased level of risk; ● assessed whether the revenue recognition accounting policy for each type of revenue was consistent with IFRS 15 and testing that these policies were followed through our substantive tests; ● performed data analytics procedures designed to highlight any unusual transactions or postings recorded in revenue, which were then all subject to detailed testing; ● tested a sample of revenue transactions in respect of sale of goods and agreeing them to a cash receipt or proof of delivery to check that the sale did occur; ● tested a sample of revenue transactions in respect of contract income for services by obtaining supporting documentation to prove occurrence, recalculating the revenue recognised, and assessing the appropriateness of any deferred or accrued income at year end; and ● agreed a sample of transactions before and after the year end to supporting documentation to determine whether transactions had been recorded in the correct period.
<p>Relevant Disclosures in the Annual Report 2022</p> <ul style="list-style-type: none"> ● Financial Statements: Note 3, Principal Accounting Policies and Note 5, Segmental Analysis. 	<p>Our Results</p> <p>Our audit testing did not identify any material misstatements in the revenue recognised during the year or any instances of material revenue not being recognised in accordance with the Group’s accounting policies.</p>

Key Audit Matter – Group	How our scope addressed the matter – Group
<p>Valuation of Intangible Assets on Recognition of Acquired Businesses</p> <p>We identified the valuation of intangible assets on recognition of acquired businesses as one of the most significant assessed risks of material misstatement due to error.</p> <p>There is a risk that the intangible assets, including goodwill, are not recognised in accordance with IFRS 3 ‘Business Combinations’.</p> <p>Specifically, there is significant judgement and complexity associated with the allocation of excess consideration over net assets acquired between separable intangible assets and remaining goodwill.</p> <p>Due to the inherent uncertainty and key assumptions involved in management’s calculation of the valuation of acquired intangible assets, we determined the risk to be a significant risk.</p>	<p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> ● assessed the Group’s accounting for acquisitions to check whether it was in accordance with the Group’s financial reporting framework, including IFRS 3; ● assessed the consideration for the acquisitions, including work around any deferred or contingent consideration; ● used our auditor’s expert to assess the appropriateness of the valuation methodology used by management, including the methodology adopted for identifying separate intangible assets distinct from goodwill and assessing the appropriateness of discount rates and growth rates applied; ● evaluated the acquisition workings prepared by management and checking its mathematical accuracy; and ● challenged the assumptions used in the valuation models, to assess whether they are reasonable and consistent with our knowledge of the acquired businesses.
<p>Relevant Disclosures in the Annual Report 2022</p> <ul style="list-style-type: none"> ● Financial Statements: Note 28, Business Combinations 	<p>Our Results</p> <p>Our audit testing did not identify any material misstatements in the valuation of intangible assets on recognition of the acquired businesses. We are satisfied that the judgements made in determining the split between acquired intangible assets and goodwill are reasonable.</p>

Key Audit Matter – Group	How our scope addressed the matter – Group
<p>Impairment of intangible assets in relation to the Monmouth CGU</p> <p>We identified the risk of impairment in relation to the Monmouth CGU as one of the most significant assessed risks of material misstatement due to error.</p> <p>This is due to the Monmouth CGU having the lowest headroom and the level of management judgement and assumptions required to perform the annual impairment test required under IAS 36 'Impairment of Assets'. As a result, there is a risk that the carrying value of the CGU may exceed its recoverable amount and therefore be subject to impairment.</p>	<p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> ● obtained an understanding of the process followed for the impairment assessment and tested the design and implementation of relevant controls; ● obtained management's model to identify the key assumptions and assess the arithmetical accuracy of the model. The assumptions identified have been challenged and corroborated by the audit team to ensure they are reasonable and in line with the requirements of IAS 36; ● used an auditor's expert to recalculate a range for the discount rate applied and to confirm the reasonableness of key inputs and assumptions used in management's model, which led to a change in management's base case model; ● assessed the impairment review prepared by management, mainly through the use of applying sensitivities; and ● performed sensitivity analyses on the key assumptions and inputs into the value in use calculations.
<p>Relevant Disclosures in the Annual Report 2022</p> <ul style="list-style-type: none"> ● Financial statements: Note 10, Intangible Assets. 	<p>Key Observations</p> <p>Based on our audit work, there is no material impairment of the Monmouth CGU, but there are reasonably possible changes in assumptions which could cause an impairment. These have been appropriately disclosed by management in the financial statements.</p>
<p>We did not identify any key audit matters relating to the audit of the parent company.</p>	

Our Application of Materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

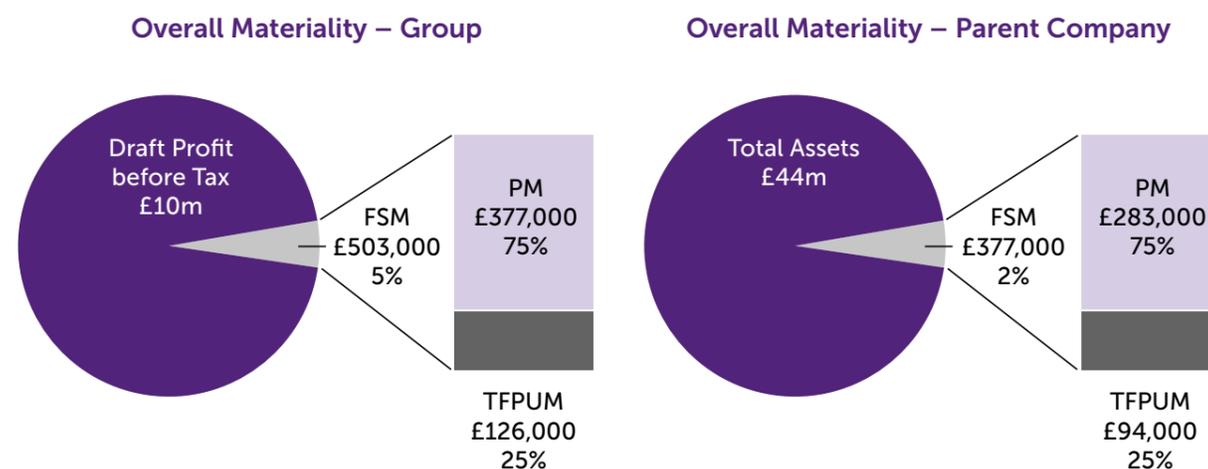
Materiality was determined as follows:

Materiality Measure	Group	Parent Company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£503,000, which is 5% of the Group's profit before tax at the planning stage of the audit.	£377,000, which is 2% of the parent company's total assets at the planning stage of the audit, capped due to the aggregate of the Group's significant component materialities exceeding the firm's permitted multiple.
Significant judgements made by auditor in determining materiality	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> ● Profit before tax is considered the most appropriate benchmark because the Group is a commercially focused organisation and profit before tax is a key financial measure for the directors and the shareholders. ● We used a measurement percentage of 5% as the Group's profit before tax is relatively stable and therefore we have used the top of the firm's permissible range. <p>Materiality for the current year is higher than the level that we determined for the year ended 30 April 2021 to reflect the improved trading performance this year.</p>	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> ● An asset-based benchmark was considered the most appropriate benchmark because the parent company is a holding company. This was changed from 10% of profit before tax in the prior year because total assets is a more relevant benchmark for a parent company that does not trade in its own right. ● We used a measurement percentage of 2% as the parent company's total assets are relatively stable and therefore we have used the top of the firm's permissible range. <p>Materiality for the current year is higher than for the year ended 30 April 2021 to reflect the change in benchmark and measurement percentage from 10% of the parent company's profit before tax last year, as noted above.</p>
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£377,000, which is 75% of financial statement materiality.	£283,000, which is 75% of financial statement materiality.

Our Application of Materiality (continued)

Materiality Measure	Group	Parent Company
Significant judgements made by auditor in determining performance materiality	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> that there were no significant adjustments identified in the 2021 audit; and that management are judged to be suitably qualified and experienced. 	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> that there were no significant adjustments identified in the 2021 audit; and that management are judged to be suitably qualified and experienced.
Specific Materiality	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> directors' remuneration; and related party transactions. 	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> directors' remuneration; and related party transactions.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee	
Threshold for communication	£25,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£19,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An Overview of the Scope of Our Audit

We performed a risk-based audit that requires an understanding of the Group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- the engagement team obtained an understanding of the Group and its environment, including Group-wide controls, and assessed the risks of material misstatement at the Group level;
- the engagement team obtained an understanding of the Group's organisational structure and considered its effect on the scope of the audit, identifying that the Group financial reporting system is centralised;

Identifying significant components

- Significant components were identified through assessing their relative share of key financial metrics including revenue, profit before tax, fixed assets, current assets and current liabilities.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- We identified five significant components within the Group and performed a full scope audit on the financial information of each. Our work on these significant components included the areas of focus identified as key audit matters above.
- We performed an audit of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit) for the eight non-significant UK Group components.
- Analytical procedures were performed for insignificant components.

Performance of Our Audit

Testing has been performed over the following key areas of the Group.

Audit Approach	No. of Components	% Coverage of Total Assets	% Coverage of Revenue	% Coverage of PBT
Full scope audit (Significant components)	5	74%	54%	73%
Specific-scope audit (non-significant UK entities)	8	23%	40%	25%
Analytical procedures	9	3%	6%	2%

In the current year, the Group engagement team made site visits to all significant components and entities which were subject to specific-scope audits.

Communications with Component Auditors

The Group audit team communicated with one overseas component auditor performing a full-scope audit throughout the stages of their work, from planning, through fieldwork and as part of the concluding procedures.

Changes in Approach from Previous Period

There were no changes in approach from the prior period.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report 2022, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- a adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are most applicable to the Group and the parent company and determined the most significant are those that relate to the financial reporting framework, being the Companies Act 2006 and UK-adopted international accounting standards for the Group, and the Companies Act 2006 and FRS 101 'Reduced disclosure framework' for the parent company, together with relevant tax compliance regulations. In addition, we concluded that there are certain other significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, being laws and regulations relating to health and safety, employee matters, and bribery and corruption practises.
- We obtained an understanding of how the Group and the parent company are complying with legal and regulatory frameworks by making enquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of Board minutes and papers provided to the Audit Committee.
- We enquired of management and the Audit Committee about the Group's policies and procedures relating to the identification, evaluation and compliance with laws and regulations and the detection and responsible to the risks of fraud and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to areas of increased management judgement, specifically share-based payments, acquisition accounting and the impairment of intangible assets, all of which could be impacted by management bias, as well as the risk of fraud through the use of journal entries that increase revenues.
- Audit procedures performed by the engagement team included:
 - Identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud;
 - Obtaining an understanding of how those charged with governance considered and addressed the potential for management override of controls or other inappropriate influence over the financial reporting process;
 - Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
 - Challenging assumptions and judgements made by management in its significant accounting estimates.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
 - knowledge of the industry in which the Group and the parent company operate; and
 - understanding of the legal and regulatory frameworks applicable to the Group and the parent company.
- Relevant laws and regulations and potential fraud risks were communicated to all engagement team members. We remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We enquired of the component auditor to request details of any instances of non-compliance with laws and regulations that could give rise to a material misstatement of the Group financial statements.

Use of Our Report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David White

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants, Cambridge
21 July 2022

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Consolidated Income Statement & Statement of Comprehensive Income

for the year ended 30 April 2022

	Note	2022 £'000	2021 £'000
Revenue	5	49,656	35,076
Cost of sales	14	(17,998)	(12,206)
Gross profit		31,658	22,870
Other income		55	21
Operating expenses		(21,534)	(16,960)
Operating profit	4	10,179	5,931
Net financing expenses	8	(295)	(287)
Profit before tax	6	9,884	5,644
Income tax	9	(2,341)	(936)
Profit for the year		7,543	4,708

	2022 £'000	2021 £'000
Statement of Comprehensive Income		
Profit for the year	7,543	4,708
Other comprehensive income		
Items that will subsequently be reclassified to profit and loss:		
Exchange differences on translating foreign operations	(46)	(96)
Total comprehensive income for the year	7,497	4,612

	Note	2022 £'000	2021 £'000
Earnings per share			
Basic earnings per share	23	7.53p	4.81p
Diluted earnings per share	23	7.23p	4.58p

All activities of the Group are classed as continuing.

The results attributable to business combinations in the year are disclosed in note 29.

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Balance Sheet

as at 30 April 2022

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	Note	2022 £'000	2021 £'000
Assets			
Intangible assets	10	36,035	26,237
Property, plant and equipment	11	4,074	1,733
Right-of-use leased assets	12	7,305	2,398
Deferred tax asset	14	1,586	1,697
		49,000	32,065
Current assets			
Inventories	15	7,273	6,059
Trade and other receivables	16	7,544	6,743
Cash and cash equivalents	17	5,106	3,836
		19,923	16,638
Total assets		68,923	48,703
Liabilities			
Non-current liabilities			
Borrowings	20	(10,656)	(3,764)
Deferred tax liability	14	(4,417)	(2,479)
		(15,073)	(6,243)
Current liabilities			
Trade and other payables	18	(16,089)	(12,826)
Provisions for warranties	19	(163)	(230)
Borrowings	20	(779)	(1,880)
Current tax payable		(1,027)	(750)
		(18,058)	(15,686)
Total liabilities		(33,131)	(21,929)
Net assets		35,792	26,774
Equity			
Share capital	22	1,022	984
Merger reserve		2,606	2,606
Merger relief reserve		424	424
Share premium account		9,905	9,092
Share-based payment reserve		320	714
Foreign exchange reserve		39	85
Retained earnings		21,476	12,869
Total equity		35,792	26,774

The financial statements were approved and authorised for issue by the Board of Directors on 21 July 2022.



Mike Creedon
Director



Jon Abell
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

as at 30 April 2022

	Note	2022 £'000	2021 £'000
Operating activities			
Net profit for the year		7,543	4,708
Depreciation	11 & 12	1,197	973
Amortisation	10	1,576	1,589
Finance costs and income	8	295	287
Impairment of intangible assets	10	30	130
Decrease in provisions	19	(97)	(15)
Taxation in the income statement		2,341	936
Employee share-based payments		313	305
Operating cash flows before movement in working capital		13,198	8,913
Decrease in inventories		(365)	(977)
Decrease/(increase) in trade and other receivables		652	(2,363)
Increase in trade and other payables		1,204	6,137
Cash generated from operations		14,689	11,710
Interest paid		(295)	(287)
Income taxes paid		(1,290)	(1,166)
Cash generated from operating activities		13,104	10,257
Investing activities			
Capital expenditure on fixed assets	11	(1,426)	(667)
Sale of property, plant and equipment		66	67
Expenditure on development and other intangibles	10	(415)	(367)
Acquisition of subsidiaries, net of cash	29	(10,995)	(4,057)
Net cash used in investing activities		(12,770)	(5,024)
Financing activities			
Finance leases net repayments	20	(583)	(489)
Proceeds from bank borrowing	20	9,000	5,404
Repayment of borrowings	20	(8,086)	(11,652)
Issues of shares and proceeds from option exercise	22	651	155
Net cash from/(used in) financing		982	(6,582)
Net changes in cash and cash equivalents		1,316	(1,349)
Cash and cash equivalents, beginning of year		3,836	5,290
Foreign currency movements on cash balances		(46)	(105)
Cash and cash equivalents, end of year		5,106	3,836

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

as at 30 April 2022

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	Share capital £'000	Merger reserve £'000	Merger relief reserve £'000	Foreign exchange £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 30 April 2021	984	2,606	424	85	9,092	714	12,869	26,774
Shares issued	38	–	–	–	813	–	–	851
Tax in respect of share options	–	–	–	–	–	–	357	357
Share-based payment transfer	–	–	–	–	–	(707)	707	–
Share-based payment charge	–	–	–	–	–	313	–	313
Transactions with owners	38	–	–	–	813	(394)	1,064	1,521
Profit for the year	–	–	–	–	–	–	7,543	7,543
Foreign exchange on consolidation of subsidiaries	–	–	–	(46)	–	–	–	(46)
Total comprehensive income for the period	–	–	–	(46)	–	–	7,543	7,497
Balance at 30 April 2022	1,022	2,606	424	39	9,905	320	21,476	35,792

	Share capital £'000	Merger reserve £'000	Merger relief reserve £'000	Foreign exchange £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 30 April 2020 (previously stated)	975	3,030	–	181	8,746	467	6,665	20,064
Restatement	–	(424)	424	–	–	–	–	–
Restated balance at 30 April 2020	975	2,606	424	181	8,746	467	6,665	20,064
Shares issued	9	–	–	–	346	–	–	355
Tax in respect of share options	–	–	–	–	–	–	1,438	1,438
Share-based payment transfer	–	–	–	–	–	(58)	58	–
Share-based payment charge	–	–	–	–	–	305	–	305
Transactions with owners	9	–	–	–	346	247	1,496	2,098
Profit for the year	–	–	–	–	–	–	4,708	4,708
Foreign exchange on consolidation of subsidiaries	–	–	–	(96)	–	–	–	(96)
Total comprehensive income for the period	–	–	–	(96)	–	–	4,708	4,612
Balance at 30 April 2021	984	2,606	424	85	9,092	714	12,869	26,774

1 Reporting Entity

SDI Group plc, a public limited company, is the Group's ultimate parent. It is registered and domiciled in England and Wales. The consolidated financial statements of the Group for the year ended 30 April 2022 comprise the Company and its subsidiaries (together referred to as the "Group"). The details of subsidiary undertakings are listed in note 4 to the Company Financial Statements.

2 Basis of Preparation

The consolidated financial statements have been prepared and approved by the directors in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention as modified by the recognition of certain financial instruments at fair value.

The principal accounting policies of the Group are set out below.

The consolidated financial statements are presented in British pounds (£), which is also the functional currency of the ultimate parent company. All values are rounded to the nearest thousand (£'000) except where otherwise indicated.

Going concern

The consolidated financial statements have been prepared on a going concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out within this Strategic report. The financial position of the Group, its cash flows, and liquidity position are provided in the financial statements on pages 54-57.

The Group ended 2022 with net cash of £1.1m compared to £0.7m at 30 April 2021 and generated cash from Operations of £14.7m. This cash generation arose from the strong performance of the Group's principal operating companies, enabled by 21.6% organic growth, and was mostly deployed in acquiring profitable businesses. In addition, the Group also refinanced its borrowing facilities on 01 November 2021, extending the loan facility to £20m and the repayment date to November 2024, providing the Group with greater certainty over long-term liquidity. An amount totalling £4m is currently drawn down under this facility (see note 20).

The Board have considered the ongoing impacts of the Covid-19 pandemic and the war in Ukraine, including their effects on the wider economy. The Group is in a strong financial position with high cash balances and available facilities, sufficient headroom on all covenants associated with the debt, good profitability and a strong future order book, enabling it to face any reasonable likely challenge of the continued uncertain global economic environment. The Board has reviewed forecasts for the period to 31 October 2024, including severe downside scenarios which the Board considers extremely unlikely and would not cause any significant challenges to the Group's continued existence.

The Board therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Changes in accounting policies

At the date of approval of these financial statements, certain new standards, amendments to and interpretations of existing standards have been published but are not yet effective. None of these pronouncements have been adopted early by the Group, and they have not been disclosed as they are not expected to have a material impact on the Group's financial statements. Management anticipates that all pronouncements will be adopted for the first period beginning on or after their effective date.

Accounting judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the consolidated financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Judgements in applying accounting policies

Intangibles – development costs

The Group is required to capitalise any development costs that meet the criteria as per IAS 38. (See Research and Development accounting policy, page 61 and in note 10). The point at which development costs meet the criteria for capitalisation is critically dependent on management's judgement of the point at which technical feasibility is demonstrable. The carrying value of development assets also depends on management's ability to demonstrate the future economic benefits they will deliver. This judgement requires assumptions about factors outside the business's control such as medium-term economic conditions, technological developments and market changes. The Group tests annually whether the capitalised development costs have been impaired by reference to expected future generation of cash from the technologies developed and the timing of when these will be released.

Sources of estimation uncertainty

Fair value assessments of business combinations

Following an acquisition, management makes an assessment of the fair value of all assets and liabilities acquired, including intangible assets and goodwill. The valuation process requires a number of estimates to be made, including an estimate of any earnout cash payment which is contingent on specific performance targets being met. For details of assumptions, see note 29.

Carrying value of goodwill and other intangible assets

The impairment analysis of intangible assets is based upon future discounted cash flows and a number of assumptions are made to estimate the future cash flows expected to arise from the cash generating unit as well as a suitable discount rate in order to calculate present value. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in discount rates could lead to impairment. For details of assumptions see note 10.

3 Principal Accounting Policies

The principal accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 April 2021.

Basis of consolidation

Subsidiaries are entities controlled by the Group where control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The subsidiaries financial statements have been prepared in accordance with FRS 101.

Intra group balances and any unrealised income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements.

Business combinations

Business combinations are accounted for using the acquisition method under the revised IFRS 3 Business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair value of assets transferred, liabilities incurred, and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration agreement. Acquisition costs are expensed within administration expenses as incurred. The Group recognises identifiable assets acquired and liabilities assumed including contingent liabilities in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Foreign currency

Transactions entered into by Group entities in a currency other than the functional currency of the company which incurred them are recorded at the rate of exchange at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the income statement.

For the purpose of presenting the consolidated financial statements the assets and liabilities of the Group's overseas operations are translated using exchange rates prevailing on the balance sheet date. Exchange differences on net assets arising from this policy are recognised in other comprehensive income and accumulated in the foreign exchange reserve; such translation differences are reclassified from equity to profit or loss as a reclassification adjustment in the period in which the foreign operation is disposed of.

Income and expense items of overseas operations are translated at exchange rates approximating to those ruling when the transactions took place.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of property, plant and equipment to write down the cost of the asset to its residual value.

The estimated useful lives are as follows:

Motor vehicles	3 years
Computer equipment	3 years
Tools and other equipment	3 years
Furniture, fixtures and fittings	5 years
Building and leasehold improvements	Over the lease term

Goodwill

Goodwill represents the excess of the fair value of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognised immediately in the income statement as a gain from a bargain purchase. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is also reviewed for impairment immediately following an acquisition. The impairment of goodwill is based upon value in use, determined using estimated future discounted cash flows.

Research and development

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the following conditions are met:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale;
- The Group intends to complete the intangible assets and use or sell it;
- The Group has the ability to use or sell the intangible asset;
- The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or the intangible asset itself, or, if it is to be used internally, the asset will be used for generating such benefits; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

The expenditure capitalised includes direct cost of material, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development is stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Amortisation is shown within administrative expenses in the income statement. The estimated useful lives of current development projects are three years. Until completion of the project the assets are subject to impairment testing.

Other intangible assets

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill providing the assets are separable or they arise from contractual or other legal rights and their fair value can be measured reliably. The fair value of intangible assets in a business combination includes the value of any tax benefit.

Intangible assets with a finite life are amortised over their useful economic lives. Amortisation is recognised in the income statement within administrative expenses on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Capitalised development costs	3 years
Other intangible assets	3-15 years
Customer relationships and trademarks	15 years
Order book	Up to 2 years

3 Principal Accounting Policies (continued)**Impairment**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). As a result, some assets are tested individually for impairment, and some are tested at cash-generating unit level.

Goodwill is allocated to those cash-generating units or groups of cash-generating units that are expected to benefit from synergies of the related business combination, typically the Group's operating segments, which represent the lowest level within the Group at which management monitors goodwill.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses for cash-generating units reduce first the carrying value of any goodwill allocated to that cash generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indicators that an impairment loss previously recognised may no longer exist.

Any impairment in respect of goodwill is not reversed. Impairment losses on other assets recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their location and condition at the balance sheet date. Items are valued using the first in, first out method. When inventories are used, the carrying amount of these inventories is recognised as an expense in the period in which the related revenue is recognised. Provisions for write-down to net realisable value and losses of inventories are recognised as an expense in the period in which the write-down or loss occurs.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits which are subject to an insignificant risk of changes in value.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares
- "Merger reserve" represents the difference between the parent company's cost of investment and the subsidiary's share capital and share premium where a group reorganisation qualifies as a common control transaction.
- "Share premium account" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Share-based payment reserve" represents equity-settled share-based employee remuneration until such share options are exercised. The equity component of convertible loan stock, if any, is also included. On conversion of the loan stock the equity component is transferred into the retained earnings reserve.
- "Foreign exchange reserve" represents the differences arising from translation of investments in overseas subsidiaries.
- "Retained earnings" represents retained profits.

Contributions to pension schemes*Defined Contribution Scheme*

Obligations for contributions for defined contribution plans are recognised as an expense in the income statement when they are due.

Financial assets

The Group's financial assets comprise trade receivables, other receivables, cash and cash equivalents. Trade and other receivables are recognised and carried at the original invoice amount less a provision for the expected credit loss. Management have adopted the simplified model to determine the expected credit loss on trade receivables and uses historical experience of losses applied to the specific circumstances of the receivable, including trading history with the debtor and period overdue to determine the need for and amount of any provision to cover expected future losses. Uncollectable amounts are written off to the Income Statement when identified.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. The Group's financial liabilities comprise trade payables, other payables, other loans and bank borrowings. All financial liabilities are measured at fair value plus transaction costs on initial recognition and subsequently are measured at amortised cost. Contingent consideration assumed in a business combination is measured initially at fair value through profit and loss in the income statement at the acquisition date and any contingent liability is classified as a liability within the balance sheet.

3 Principal Accounting Policies (continued)**Revenue recognition**

In accordance with IFRS 15 'Revenues from Contracts with Customers', revenue is measured by reference to the fair value of consideration received or receivable by the Group, excluding value added tax (or similar local sales tax), in exchange for transferring the promised goods or services to the customer. The consideration is allocated to each separate performance obligation that is identified in a sales contract, based on stand-alone selling prices. Sales of instruments and spare parts, and sales of services, such as non-specialised installation or maintenance work, are assessed to be separate performance obligations.

Revenue is recognised when (or as) the Group satisfies the identified performance obligation. For sales of instruments and spare parts, the performance obligation is satisfied at a point in time; for revenue from services, the performance obligation is satisfied over time. As the period of time between payment and performance is less than one year, the Group does not adjust revenue for the effects of financing.

Revenue from sales of instruments and spare parts is recognised at the point at which the customer obtains control of the asset. This is usually when the customer receives the goods or when goods are collected by the customer. Revenue from installations is recognised at the point which the installation is completed. For large, complex instruments which require highly specialised installation, revenue from both the instrument and installation is recognised at the point which installation is completed.

Revenue from maintenance work relates to service visits carried out on equipment provided to customers whereby the performance obligation is to carry out service visits over a period of time. It is a separate, distinct, individually identified performance obligation and is recognised straight-line over the length of the service contract being provided as this reflects the inputs and efforts (service employees) which are expended evenly throughout the performance period (length of the contract).

Leased assets

The Group makes the use of leasing arrangements principally for the provision of the main warehouse and related facilities, office space, IT equipment and motor vehicles. The rental contracts for offices are typically negotiated for terms of between 5 and 20 years and some of these have extension terms. Lease terms for office fixtures and equipment and motor vehicles have lease terms of between 6 months and 5 years without any extension terms. The Group does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis and contain a wide variety of different terms and conditions such as purchase options and escalation clauses.

The Group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability in its consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease.

The incremental borrowing rate is the estimated rate that the Group would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Group.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Group's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

To respond to business needs particularly in the demand for office space, the Group will enter into negotiations with landlords to either increase or decrease available office space or to renegotiate amounts payable under the respective leases. In some instances, the Group is able to increase office capacity by taking additional floors available and therefore agrees with the landlord to pay an amount that is commensurate with the stand-alone pricing adjusted to reflect the particular contract terms. In these situations, the contractual agreement is treated as a new lease and accounted for accordingly.

In other instances, the Group is able to negotiate a change to a lease such as reducing the amount of office space taken, reducing the lease term or by reducing the total amount payable under the lease. Both of which were not part of the original terms and conditions of the lease. In these situations, the Group does not account for the changes as though there is a new lease. Instead, the revised contractual payments are discounted using a revised discount rate at the date the parties agree to the modification. For the reasons explained above, the discount rate used is the Group's incremental borrowing rate determined at the modification date, as the rate implicit in the lease is not readily determinable.

The remeasurement of the lease liability is dealt with by a reduction in the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease for lease modifications that reduce the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss. The right-of-use asset is adjusted for all other lease modifications.

Taxation

Income tax expense comprises current and deferred tax.

The tax currently payable is based on the taxable profit for the year. Current tax is recognised in profit or loss, except that current tax relating to items recognised in other comprehensive income is recognised in other comprehensive income and current tax relating to items recognised directly in equity is recognised in equity. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

3 Principal Accounting Policies (continued)**Taxation** (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group or it is probable that reversal will not occur in the foreseeable future. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the temporary difference can be utilised.

The carrying value of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow part or all of the assets to be recovered.

Deferred tax is calculated using tax rates that are enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax relating to items recognised in other comprehensive income is recognised in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Segment reporting

The Group identifies operating segments based on internal management reporting that is regularly reviewed by the chief operating decision maker. The chief operating decision maker is the Executive Board of Directors.

Provisions

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and the amounts can be estimated reliably.

A provision for warranties is recognised when the underlying products are sold. The provision is based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Share-based payments

SDI Group plc regularly issues share options to employees. The fair value of the award granted is recognised as an employee expense within the Income Statement with a corresponding increase in equity. The fair value is measured at the grant date and allocated over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

The fair value of the grants is measured using the Black-Scholes model or a Monte Carlo simulation as appropriate, taking into account the terms and conditions upon which the grants were made.

Alternative Performance Measures

The Group uses Adjusted Operating Profit, Adjusted Profit Before Tax, Adjusted Diluted EPS and Net Operating Assets as supplemental measures of the Group's profitability and investment in business-related assets, in addition to measures defined under IFRS. The Group considers these useful due to the exclusion of specific items that are considered to hinder comparison of underlying profitability and investments of the Group's segments and businesses and is aware that shareholders use these measures to evaluate performance over time. The adjusting items for the alternative measures of profit are either recurring but non-cash charges (share-based payments and amortisation of acquired intangible assets) or exceptional items (reorganisation costs and acquisition costs).

The following table is included to define the term Adjusted Operating Profit:

	2022 £'000	2021 £'000
Operating Profit (as reported)	10,179	5,931
Adjusting items (all costs):		
Non-underlying items		
Share-based payments	313	305
Amortisation of acquired intangible assets	1,115	1,153
Exceptional items		
Reorganisation costs	125	132
Acquisition costs	341	179
Total adjusting items	1,894	1,769
Adjusted Operating Profit	12,073	7,700

Adjusted Profit Before Tax is defined as follows:

	2022 £'000	2021 £'000
Profit before tax (as reported)	9,884	5,644
Adjusting items (all costs):		
Non-underlying items		
Share-based payments	313	305
Amortisation of acquired intangible assets	1,115	1,153
Exceptional items		
Reorganisation costs	125	132
Acquisition costs	341	179
Total adjusting items	1,894	1,769
Adjusted Profit Before Tax	11,778	7,413

4 Alternative Performance Measures (continued)

Adjusted EPS is defined as follows:

	2022 £'000	2021 £'000
Profit for the year	7,543	4,708
Adjusting items (all costs):		
Non-underlying items		
Share-based payments	313	305
Amortisation of acquired intangible assets	1,115	1,153
Exceptional items		
Reorganisation costs	125	132
Acquisition costs	341	179
Total adjusting items	1,894	1,769
Less taxation on adjusting items calculated at the UK statutory rate	(360)	(336)
Adjusted profit for the year	9,077	6,141
Divided by diluted weighted average number of shares in issue (note 23)	104,259,085	102,799,084
Adjusted Diluted EPS	8.71p	5.97p

The following table is included to define the term Net Operating Assets:

	2022 £'000	2021 £'000
Net assets	35,792	26,774
Deferred tax asset	1,586	1,697
Corporation tax asset	137	17
Cash and cash equivalents	5,106	3,836
Borrowings and lease liabilities (current and non-current)	(11,435)	(5,644)
Deferred & contingent consideration	(3,305)	(2,350)
Deferred tax liability	(4,417)	(2,479)
Current tax payable	(1,027)	(750)
Total adjusting items within Net assets	(13,355)	(5,673)
Net Operating Assets	49,147	32,447

5 Segment Analysis

The Digital Imaging segment incorporates the Synoptics brands Syngene, Synbiosis, Synoptics Health and Fistreem, the Atik brands Atik Cameras, Opus and Quantum Scientific Imaging, and Graticules Optics. These businesses share significant characteristics including customer application, technology, and production location. Revenues derive from the sale of instruments, components for OEM customers' instruments, from accessories and service and from licence income.

The Sensors & Control segment combines our Sentek, Astles Control Systems, Applied Thermal Control, Thermal Exchange, MPB Industries, Chell Instruments, Monmouth Scientific, Uniform Engineering, Scientific Vacuum Systems and Safelab Systems businesses. All of these businesses provide products that enable accurate control of scientific and industrial equipment. Their revenues also derive from the sale of instruments, major components for OEM customers' instruments, and from accessories and service.

The Board of Directors reviews operational results of these segments on a monthly basis and decides on resource allocations to the segments and is considered the Group's chief operational decision maker.

	2022 Total £'000	2021 Total £'000
Revenues		
Digital Imaging	21,492	15,788
Sensors & Control	28,164	19,288
Group	49,656	35,076
Adjusted Operating Profit		
Digital Imaging	8,502	5,165
Sensors & Control	5,188	4,360
Other	(1,617)	(1,825)
Group	12,073	7,700
Amortisation of acquired intangible assets		
Digital Imaging	(175)	(175)
Sensors & Control	(940)	(978)
Group	(1,115)	(1,153)

Adjusted Operating Profit has been defined in note 4.

Analysis of amortisation of acquired intangible assets has been included separately as the Group considers it to be an important component of profit which is directly attributable to the reported segments.

The Other category includes costs which cannot be allocated to the other segments and consists principally of Group head office costs.

5 Segment Analysis (continued)

	2022 Total £'000	2021 Total £'000
Operating assets excluding acquired intangible assets		
Digital Imaging	7,501	7,895
Sensors & Control	19,045	9,683
Other	247	131
Group	26,793	17,709
Acquired intangible assets		
Digital Imaging	5,019	5,195
Sensors & Control	30,282	20,251
Group	35,301	25,446
Operating Liabilities		
Digital Imaging	(4,905)	(5,439)
Sensors & Control	(7,075)	(4,204)
Other	(968)	(1,064)
Group	(12,948)	(10,707)
Net operating assets		
Digital Imaging	7,616	7,650
Sensors & Control	42,251	25,731
Other	(720)	(934)
Group	49,147	32,447
Depreciation		
Digital Imaging	474	461
Sensors & Control	717	505
Other	7	7
Group	1,198	973

Net Operating Assets has been defined in note 4.

The geographical analysis of revenue by destination, analysis of revenue by product or service, and non-current assets by location are set out below:

Revenue by destination of external customer	2022 £'000	2021 £'000
United Kingdom (country of domicile)	21,330	15,343
Europe	7,381	5,137
America	4,226	3,365
China	10,798	6,854
Asia (excluding China)	4,652	3,088
Rest of World	1,269	1,289
	49,656	35,076

Revenue by product or service	2022 £'000	2021 £'000
Instruments and spare parts	48,253	34,640
Services	1,403	436
	49,656	35,076

21.7% of Group revenue (2021: 16%) was from a single customer during the year.

Analysis of revenue by performance obligation	2022 £'000	2021 £'000
Sale of goods, recognised at a point in time	47,531	34,193
Sale of services, recognised over time	1,403	436
Sale of goods, recognised over time	722	447
	49,656	35,076

Non-current assets by location	2022 £'000	2021 £'000
United Kingdom	46,721	29,824
Portugal	586	396
America	107	148
	47,414	30,368

6 Profit before Taxation

Profit for the year has been arrived at after charging:

	2022 £'000	2021 £'000
Amortisation of intangible assets	1,576	1,589
Depreciation charge for the year – Right-of-use assets	549	528
Depreciation charge for the year – Other assets	649	445
Fees payable to the Company's Auditor in respect of audit services:		
– Audit of Group consolidated accounts	30	20
– Audit of Company's subsidiaries pursuant to legislation	265	165
– Audit of overseas subsidiaries	15	–
Fees paid to the auditor and its associates in respect of other services:		
– Audit related assurance services	12	12
Currency exchange (gain)/loss	(18)	72
Reorganisation costs	125	132
Acquisition costs	341	179

7 Directors' and Employees' Remuneration

Staff costs during the year were as follows:

	2022 £'000	2021 £'000
Wages and salaries (including reorganisation costs and other termination benefits £2k (2021: £36k))	11,773	9,324
Furlough income	–	(273)
Social security costs	1,165	989
Share-based payment charge	313	305
Employer's National Insurance costs on share-based remuneration	165	578
Other pension costs	488	365
	13,904	11,288

Key management for the Group is considered to be the directors of the Group. Remuneration of directors is set out in the directors' remuneration report on pages 34-35.

Total emoluments of £338k (2021: £283k) were paid to the highest paid director during the year.

Pensions

The Group operates defined contributions pension schemes for the benefit of the employees.

The assets of the schemes are administered by trustees in funds independent from those of the Group. Total contributions for the Group were £488k (2021: £365k). At 30 April 2022, total pension liabilities of £101k (2021: £76k) were owing.

The average number of employees of the Group during the year was:

	2022 Number	2021 Number
Administration	79	68
Production	193	142
Product development	53	39
Sales and marketing	29	23
	354	272

Share-based employee remuneration

The company has two active EMI option schemes, "approved" and "unapproved", which share similar features, but may be treated differently regarding taxation of the option holder. Both schemes have been approved by shareholders in general meetings. The approved scheme has been approved by HM Revenue & Customs. The options can be exercised three years after the share options are granted. Upon vesting, each option allows the holder to purchase one ordinary share. The options lapse if share options remain unexercised after a period of 10 years after the date of grant or if the employee leaves. During the year, 791,000 of such options were granted under these schemes, at exercise prices ranging from £1.650 to £1.740. The weighted average remaining contractual life of all outstanding options under these schemes is 6.35 years.

In addition, in December 2018, a Long-Term Incentive Plan (LTIP) was approved by the Board of Directors. Under the terms of the grant, a proportion of the options will vest after three years, depending on a) the ranking of Total Shareholder Return (TSR) to Group shareholders compared with a basket of twenty comparator companies, and b) the earnings per share growth for the Group over the three-year period. The exercise price for these options is 1p each, being the nominal value of SDI shares.

A summary of options outstanding currently is as follows:

Scheme	Options outstanding as at 1 May 2021	Granted	Lapsed	Exercised	Options outstanding as at 30 April 2022	of which exercisable	Weighted average exercise price
EMI, Approved	3,240,339	–	(100,000)	(1,284,667)	1,855,672	1,500,672	£0.808
EMI, Unapproved	1,620,600	791,000	–	(1,000,000)	1,411,600	260,600	£0.834
LTIP	1,847,630	136,700	–	(1,389,129)	595,201	–	£0.010
Total	6,708,569	927,700	(100,000)	(3,673,796)	3,862,473	1,761,272	£0.695

In accordance with IFRS 2, share-based compensation expense is calculated on the issue of share options. For options under the LTIP scheme vesting based on TSR, a Monte Carlo simulation performed is used to value the compensation expense. For the other options issued during the year, the compensation expense was valued using the Black Scholes model, with the following inputs:

- interest rate 1%-1.8%
- volatility 46%-48%
- expected life of option 3 years.

The charge for the year ended 30 April 2022 was £313k (2021: £305k).

8 Finance Costs

	2022 £'000	2021 £'000
Bank loans	210	204
Leases and hire purchase contracts	85	83
	295	287

9 Taxation

	2022 £'000	2021 £'000
Corporation tax:		
Prior year corporation tax adjustment	38	–
Current tax charge	1,141	1,220
	1,179	1,220
Deferred tax	1,162	(284)
Income tax charge	2,341	936

Reconciliation of effective tax rate

	2022 £'000	2021 £'000
Profit on ordinary activities before tax	9,884	5,644
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 19% (2021: 19%)	1,878	1,072
Effects of:		
Expenses not deductible for tax purposes	61	30
Additional deduction for R&D expenditure	(219)	(162)
Prior year tax adjustments	38	(18)
Foreign tax rate	54	–
Remeasurement of unused tax losses in year at future tax rate	(164)	–
Update deferred tax liabilities and assets to enacted future tax rate of 25% (2021: 19%)	728	–
Other	(35)	14
	2,341	936

The Group takes advantage of the enhanced tax deductions for Research and Development expenditure in the UK and expects to continue to be able to do so.

The UK Finance Act 2021 which was substantively enacted on 24 May 2021 included provisions to increase the corporation tax rate to 25% effective from 1 April 2023 and this rate has been applied when calculating the deferred tax at the year end.

Intangible Assets

10

The amounts recognised in the balance sheet relate to the following:

	Customer relationships £'000	Other intangibles £'000	Goodwill £'000	Development costs £'000	Total £'000
Cost					
As at 1 May 2021	12,468	1,694	13,973	2,860	30,995
Additions	–	–	–	415	415
Additions on acquisition	4,139	716	6,134	–	10,989
Disposals/Eliminations	–	–	–	(407)	(407)
As at 30 April 2022	16,607	2,410	20,107	2,868	41,992
Amortisation					
As at 1 May 2021	2,095	790	–	1,873	4,758
Amortisation for the year	913	214	–	449	1,576
Disposals/Eliminations	–	–	–	(377)	(377)
At 30 April 2022	3,008	1,004	–	1,945	5,957
Net book value					
As at 30 April 2022	13,599	1,406	20,107	923	36,035
As at 30 April 2021	10,373	904	13,973	987	26,237

Capitalised development costs include amounts totalling £31k (2021: £429k) relating to incomplete projects for which amortisation has not yet begun.

Goodwill relates to various acquisitions and has been allocated to each cash generating unit as appropriate. The cash generating units used to test impairment are generally the individual acquired businesses, or, where these have been operationally merged with others, the resulting merged businesses. Goodwill is not amortised but tested for impairment annually with the recoverable amount being determined from value in use calculations. Goodwill has been allocated for impairment testing to each Cash Generating Unit (CGU), as follows:

	2022 £'000	2021 £'000
Synoptics	453	453
Atik	1,229	1,229
Graticules	1,278	1,278
Sentek	1,282	1,282
Astles Control Systems	2,503	2,503
Applied Thermal Control	1,028	1,028
MPB Industries	630	630
Chell Instruments	2,492	2,492
Monmouth Scientific incorporating Uniform Engineering and Scientific Vacuum Systems	3,207	3,077
Safelab Systems	2,444	–
	3,561	–
	20,107	13,973

The individual impairment assessments for the cash generating units were based on value-in-use calculations covering a five-year forecast followed by an extrapolation of expected cash flows to perpetuity using a long-term growth rate of 2%.

10 Intangible Assets (continued)

A risk-adjusted, pre-tax discount rate of 13.6% (2021: 13.7%) which was judged to be appropriate for each of the CGUs given that they operate in similar markets and the risk profiles are similar. Management's key assumption for all cash generating units and resulting cash flows is to maintain market share in their markets.

The Directors have concluded that Goodwill is not impaired for any of the cash generating units. They have further considered the sensitivity of the key assumptions which were most sensitive to changes, including reduced growth rates and operating margins, and increased discount rates. The Growth rates are based on economic data for the wider economy and represent a prudent expectation of growth.

Management has performed a sensitivity analysis for the Monmouth Scientific CGU for which with the base assumptions there is a 13% headroom of value in use above carrying cost of the CGU, and for which reasonably possible, but not probable, changes in the key assumptions could give rise to an impairment.

If any one of the following occurred, the headroom would disappear:

- discount rate increased to from 13.6% to 15.1%
- sales volume reduced by 3.5%, with no action on costs
- operating margins reduced by 1.8%

The average remaining amortisation period of intangible assets excluding Goodwill is 10.1 years (2021: 7.8 years).

11 Property, Plant and Equipment

	Motor vehicles £'000	Computer equipment £'000	Tools and other equipment £'000	Furniture fixtures & fittings £'000	Building & leasehold improvement £'000	Total £'000
Cost						
At 30 April 2021	394	326	1,521	326	416	2,983
Additions	70	63	797	140	356	1,426
Additions on acquisition	168	26	8	69	1,418	1,689
FX movement	–	–	10	–	–	10
Disposals	(66)	(13)	(300)	(60)	(58)	(497)
At 30 April 2022	566	402	2,036	475	2,132	5,611
Depreciation						
At 30 April 2021	31	145	838	104	132	1,250
Charge for year	105	33	338	123	49	648
Disposals	(44)	(13)	(205)	(57)	(42)	(361)
At 30 April 2022	92	165	971	170	139	1,537
Net book value						
At 30 April 2022	474	237	1,065	305	1,993	4,074
At 30 April 2021	363	181	683	222	284	1,733

Right-of-Use Leased Assets

12

	Motor vehicles £'000	Property £'000	Total £'000
Cost			
At 30 April 2021	109	3,222	3,331
Additions	42	5,550	5,592
Additions on acquisition	–	73	73
FX movement	–	8	8
Disposals	(9)	(558)	(567)
At 30 April 2022	142	8,295	8,437
Depreciation			
At 30 April 2021	34	899	933
Charge for year	48	501	549
Disposals	(9)	(341)	(350)
At 30 April 2022	73	1,059	1,132
Net book value			
At 30 April 2022	69	7,236	7,305
At 30 April 2021	75	2,323	2,398

13

Leases

Lease liabilities are presented in the balance sheet as follows:

	2022 £'000	2021 £'000
Current	780	509
Non-current	6,656	2,050
	7,436	2,559

The Group has leases for the main factory buildings and offices, and for some vehicles and equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 12).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantial termination fee. For leases over office buildings and factory premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Furthermore, the Group must insure items of plant and machinery and incur maintenance fees on such items in accordance with the lease contracts.

The lease liabilities are secured by the related underlying assets. Total contractual undiscounted lease liabilities at 30 April 2022 were as follows:

	2022 £'000	2021 £'000
Within one year	933	492
Within two to five years	3,027	1,182
After five years	5,021	1,109
Total undiscounted lease liabilities	8,981	2,783

During the previous year, the Group was committed to a long-term lease of the new custom-built factory building at Monmouth Scientific and the total commitment at that date was £4.6m. The building was occupied during the current year and the liabilities and assets were recognised in line with this.

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

Deferred Tax

14

	2022 Deferred tax asset £'000	Deferred tax liability £'000	2021 Deferred tax asset £'000	Deferred tax liability £'000
Opening	1,697	(2,479)	246	(2,134)
Capitalised R&D	–	(55)	–	41
Deferred tax on share options	(1,260)	–	1,249	–
Adjustment on enacted tax rate	508	(793)	–	–
Acquired deferred tax assets/liabilities	–	–	–	(90)
Intangibles recognised on business combinations	–	(1,244)	–	(544)
Amortisation acquired intangible assets	–	276	–	217
Foreign exchange	3	–	–	–
Trading losses recognised	698	–	–	–
Adjustment to prior year	16	(31)	54	37
Other temporary differences	(76)	(91)	148	(6)
At 30 April 2022	1,586	(4,417)	1,697	(2,479)

	2022 Deferred tax asset £'000	Deferred tax liability £'000	2021 Deferred tax asset £'000	Deferred tax liability £'000
Deferred tax on capitalised R&D	–	(236)	–	(138)
Other temporary differences	183	(412)	200	(203)
Deferred tax on acquired intangible assets	–	(3,769)	–	(2,138)
Deferred tax on share option exercises	678	–	1,468	–
Trading losses recognised	725	–	29	–
At 30 April 2022	1,586	(4,417)	1,697	(2,479)

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £260k (2021: £198k) in respect of losses. These losses are all pre-1 April 2017 and therefore cannot be offset against trading profits of the same trade post 1 April 2017. Total losses (provided and unprovided) totalled £1.3m (2021: £1.5m).

The Group benefits from tax deductions related to actual gains made by employees on exercise of share options, which are different, in both magnitude and timing, from the share-based payments expense recorded in the Group's Income Statement (for which no tax deduction is received). A deferred tax asset is recorded for the tax deductions expected to result from future share option exercises, based on the calculated earned gains inherent in share options outstanding at period end, at the current enacted tax rate. To the extent that the deductible employee gains exceed the recorded share-based payments, the excess of the associated current or deferred tax is recognised directly in equity. Tax deductions totalling £357k (2021: £1,438k) have been recognised directly in equity.

15 Inventories

	2022 £'000	2021 £'000
Raw materials and consumables	5,000	4,086
Work in progress	993	750
Finished goods	1,280	1,223
	7,273	6,059

There is no material difference between the replacement cost of inventory and the amounts stated above.

In the year ended 30 April 2022 a total of £17,998k (2021: £12,206k) of inventories were consumed and charged to the Income Statement as an expense.

16 Trade and Other Receivables

	2022 £'000	2021 £'000
Trade receivables	6,213	6,182
Corporation tax	137	17
Other receivables	249	171
Prepayments	945	373
	7,544	6,743

All amounts are short-term. All of the receivables have been reviewed for potential credit losses and Expected Credit Loss has been estimated.

A reconciliation of the movement in the Expected Credit Loss provision for trade receivables is as follows:

	2022 £'000	2021 £'000
As at 1 May 2021	195	165
Charged in year	(38)	30
As at 30 April 2022	156	195

In addition, some of the unimpaired trade receivables are past due at the reporting date. There are no indications that financial assets past due but not impaired are irrecoverable.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

17 Cash and Cash Equivalents

	2022 £'000	2021 £'000
Cash at bank and in hand	5,106	3,836

Trade and Other Payables

18

	2022 £'000	2021 £'000
Trade payables	3,391	3,347
Social security and other taxes	998	751
Deferred and contingent consideration	3,405	2,350
Other payables	481	705
Accruals and deferred income	7,814	5,673
	16,089	12,826

Accruals and deferred income includes an amount of £5,533k (2021: £3,875k) in respect of contract liabilities for revenues relating to performance obligations expected to be satisfied within the next 12 months. The contract liabilities balance has increased during the year principally due to contract liabilities of acquired subsidiaries. All the prior year contract liabilities of £3,875k were recognised as revenue during the current year.

At the end of the year, contingent consideration of £961k was outstanding in relation to the acquisition of Scientific Vacuum Systems Limited, and still remains outstanding. Deferred consideration of £2,344k was outstanding in relation to the acquisition of Safelab Systems Limited, which has since been paid to the sellers.

All amounts are short-term. The carrying values are considered to be a reasonable approximation of fair value.

Provisions

19

	Dilapidations		Warranties	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
As at 1 May 2021	110	–	120	85
(Released)/charged in the year	(22)	110	(45)	35
As at 30 April 2022	88	110	75	120

	Total	
	2022 £'000	2021 £'000
As at 1 May 2021	230	85
(Released)/charged in the year (net)	(67)	145
As at 30 April 2022	163	230

Warranties of between one and three years are given with the sales of products. There are potential costs associated with the repair of goods under these warranties which could occur at any time over the next three years of which the level of costs is uncertain. The warranty provision is based on the historical cost of warranty repairs over the last three years, and it is expected that the majority of this expenditure will be incurred in the next financial year. During the year the Group acquired Scientific Vacuum Systems Limited and as part of these acquisition, dilapidations of £30k have been provided for.

20 Borrowings

Borrowings are repayable as follows:

	2022 £'000	2021 £'000
Within one year		
Bank finance	–	1,371
Finance lease liabilities	779	509
	779	1,880
After one and within five years		
Bank finance	4,000	1,714
Finance lease liabilities	6,656	2,050
	10,656	3,764
Total borrowings	11,435	5,644

Bank finance relates to amounts drawn down under the Group's bank facility with HSBC Bank plc, which is secured against all assets of the Group. Until 01 November 2021, the facility consisted of a revolving facility of £5.0m and an amortising facility which reduced in quarterly instalments from £4.8m when it was taken out in November 2019 to zero by November 2024, when the agreement was due to expire. On 01 November 2021 the Group renewed and expanded its committed loan facility with HSBC to £20m, with a further accordion option of an additional £10m (at the discretion of HSBC), and with repayment date of November 2024 extendable for two further years. The revolving facility is available for general use. The facility has covenants relating to leverage (net debt to EBITDA) and interest coverage.

21 Reconciliation of Liabilities Arising from Financing Activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long-term borrowing £'000	Short-term borrowing £'000	Leases £'000	Total £'000
At 30 April 2021	1,714	1,371	2,559	5,644
Movements:				
– New loans	9,000	–	4,836	13,836
– Repayments	(6,714)	(1,371)	(35)	(8,120)
– Assumed on acquisition	–	–	75	75
At 30 April 2022	4,000	–	7,435	11,435

Share Capital

22

	2022 £'000	2021 £'000
Authorised		
1,000,000,000 (2021: 1,000,000,000) Ordinary shares of 1p each	10,000	10,000
Allotted, called up and fully paid 102,199,676 (2021: 98,408,164) Ordinary shares of 1p each	1,022	984

During the year 3,673,796 Ordinary shares of 1p were issued due to the exercise of options and 117,716 Ordinary shares of 1p were issued to part fund the acquisition made during the year. The 3,673,796 options had an exercise price ranging from £0.010 to £1.740. The Group received £651k cash for the option exercises as well as offsetting £200k against the acquisition of Safelab Systems Limited. The £851k consideration received was allocated £38k to share capital and £813k to share premium.

Earnings Per Share

23

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of SDI Group plc divided by the weighted average number of shares in issue during the period. All profit per share calculations relate to continuing operations of the Group.

	Profit attributable to shareholders £'000	Weighted average number of shares	Earnings per share amount in pence
Basic earnings per share:			
– Year ended 30 April 2022	7,543	100,122,394	7.53
– Year ended 30 April 2021	4,708	97,852,313	4.81
Dilutive effect of share options:			
– Year ended 30 April 2022		4,136,692	
– Year ended 30 April 2021		4,946,771	
Diluted earnings per share:			
– Year ended 30 April 2022	7,543	104,259,085	7.23
– Year ended 30 April 2021	4,708	102,799,084	4.58

At the year end, there were 791,000 (2021: nil) share options which were anti-dilutive but may be dilutive in the future.

Contingent Liabilities

24

Performance guarantees totalling £32k (2021: £32k) are held by the bank. These would become payable by the Group if, once the customer has placed an order, the Group fails to deliver goods to the customer.

25 Related Party Transactions and Controlling Related Party

Transactions with directors are disclosed within the Directors' Remuneration Report and note 7.

The Company is not required to disclose transactions with its wholly owned subsidiaries.

Unless otherwise stated, none of the transactions incorporated in these financial statements include any special terms or conditions. There is no ultimate controlling party.

26 Financial Risk Management Objectives and Policies**Financial instruments**

The Group uses various financial instruments, including loans and leasing arrangements, and has certain assets and liabilities which are denominated in foreign currencies. The main purpose of the financial instruments is to raise finance for the Group's operations. The existence of these financial instruments and other financial assets and liabilities exposes the Group to a number of financial risks, primarily interest rate risk and currency risk.

Interest rate risk

The Group finances its operations through a mixture of retained profits, short-term and long-term bank borrowings, and shareholders' equity. The Group has an exposure to interest rate fluctuations on its borrowings which are generally linked to SONIA. An increase in SONIA of 1% would result in an increase in interest costs of approximately £40k (2021: £31k) annually, based on the loan outstanding at 30 April 2022.

Currency risk

A significant proportion of the Group's monetary assets (principally bank balances and trade receivables) and liabilities (principally borrowings) are denoted in Dollars and Euros but held in entities with Sterling as the functional currency. An adverse movement in exchange rates could lead to losses on these positions. As at 30 April 2022 an adverse movement in the dollar of 5% would result in a reduction in the Group's equity and profit or loss of £49k (2021: £62k). An adverse movement in the Euro of 5% would result in a reduction in the Group's equity and profit or loss of £115k (2021: £64k).

The carrying amount of the Group's Dollar and Euro-denominated monetary assets with a differing functional currency at the reporting date is as follows:

	Assets	
	2022 £'000	2021 £'000
US Dollars	1,035	1,303
Euros	2,416	1,354

In addition to this, significant proportions of the Group's revenue, purchases and overhead costs are transacted in foreign currencies, mainly Dollars and Euros. The Group does not attempt to hedge its exposure using derivative instruments.

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of cash deposits and trade and other receivables recognised at the balance sheet date of £12,669k (2021: £10,757k). Risks associated with cash deposits are limited as the banks used are reputable with quality external credit ratings.

The principal credit risks lie with trade receivables. In order to manage credit risk credit limits are set for customers based on a combination of payment history and third-party credit references. Details of overdue trade receivables are provided below. All of the receivables have been reviewed for potential credit losses, and expected credit loss has been estimated, as set out in note 16. The simplified approach has been adopted to calculate the level of expected credit loss provision in the year with a 30% allowance applied to those debtors due between 90 days and 120 days and a 70% allowance applied to those debtors greater than 120 days old.

Liquidity risk

Liquidity risk is that the Group might be unable to meet its obligations and arises from trade and other payables. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecasts and actual cash flows.

The Group's financial liabilities have contractual maturities as summarised below:

	Current		Non-current	
	Within 6 months £'000	Between 6 and 12 months £'000	Between 1 and 5 years £'000	Later than 5 years £'000
As at 30 April 2022:				
Trade and other payables	16,089	–	–	–
Borrowings	448	354	10,975	–

	Current		Non-current	
	Within 6 months £'000	Between 6 and 12 months £'000	Between 1 and 5 years £'000	Later than 5 years £'000
As at 30 April 2021:				
Trade and other payables	12,826	–	–	–
Borrowings	1,192	988	4,364	–

	2022		2021	
	Gross £'000	Provision £'000	Gross £'000	Provision £'000
Ageing of receivables:				
Past due less than 1 month	3,781	–	3,698	–
Past due 1-3 months	2,439	(10)	1,873	(2)
Past due 3-6 months	295	(298)	757	(186)
Past due 6-12 months	21	(15)	75	(33)
Past due greater than 12 months	–	–	1	(1)
	6,536	(323)	6,404	(222)

27 Summary of Financial Assets and Liabilities by IFRS 9 Category

The carrying amounts of the Group's financial assets and liabilities as recognised at the balance sheet date of the years under review may also be categorised as follows;

Balance sheet headings	Financial assets at amortised cost 2022 £'000	Non-financial assets 2022 £'000	Financial liabilities at amortised cost 2022 £'000	Financial liabilities measured at fair value through profit and loss 2022 £'000	Non-financial liabilities 2022 £'000	Total balance sheet heading 2022 £'000
Cash and cash equivalents	5,106	–	–	–	–	5,106
Trade and other receivables	6,599	945	–	–	–	7,544
Borrowings – current	–	–	(779)	–	–	(779)
Borrowings – noncurrent	–	–	(10,656)	–	–	(10,656)
Trade and other payables – current	–	–	(14,130)	(961)	(998)	(16,089)
Total	11,705	945	(25,565)	(961)	(998)	(14,874)

Balance sheet headings	Financial assets at amortised cost 2021 £'000	Non-financial assets 2021 £'000	Financial liabilities at amortised cost 2021 £'000	Financial liabilities measured at fair value through profit and loss 2021 £'000	Non-financial liabilities 2021 £'000	Total balance sheet heading 2021 £'000
Cash and cash equivalents	3,836	–	–	–	–	3,836
Trade and other receivables	6,370	373	–	–	–	6,743
Borrowings – current	–	–	(1,880)	–	–	(1,880)
Borrowings – noncurrent	–	–	(3,764)	–	–	(3,764)
Trade and other payables – current	–	–	(9,725)	(2,350)	(751)	(12,826)
Total	10,206	373	(15,369)	(2,350)	(751)	7,891

The fair values of the financial assets and liabilities at 30 April 2022 and 30 April 2021 are not materially different from their book values.

28 Capital Management Policies and Procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders; and
- to be in a position to make acquisitions ('buy and build' strategy)

The Group monitors capital by tracking and forecasting its Debt-to-EBITDA ratio as required by its bank facility covenant. The Group has historically acquired companies using a combination of cash on hand, increased borrowing, issue of shares to the sellers, and new equity share placings, taking care to retain adequate liquidity reserves.

The Group has not paid dividends but will keep its dividend policy under review.

Business Combinations

On 5 January 2022, the Company acquired 100% of the share capital of Scientific Vacuum Systems Limited, a company incorporated in England and Wales, for a consideration payable in cash, including an earnout element dependent on financial performance to September 2022.

The assets and liabilities acquired were as follows:

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Assets			
Non-current assets			
Intangible assets	–	2,228	2,228
Property, plant & equipment	38	–	38
Total non-current assets	38	2,228	2,266
Current assets			
Inventories	270	(27)	243
Trade and other receivables	549	–	549
Cash and cash equivalents	1,249	–	1,249
Liabilities			
Trade and other payables	(584)	64	(520)
Borrowings – lease commitments	(4)	–	(4)
Corporation tax	(140)	–	(140)
Deferred tax liability	–	(557)	(557)
Provisions for warranty and dilapidations	(9)	(21)	(30)
Net assets acquired	1,369	1,687	3,056
Goodwill			2,444
Consideration and cost of investment			5,500
Fair value of consideration transferred			
Cash paid in year			5,539
Estimate of Earnout payment			961
			5,500

Scientific Vacuum Systems Limited contributed £1,174k revenue and approximately £363k to the Group's profit before tax for the period between the date of acquisition and the balance sheet date, not including £133k of acquired intangible asset amortisation.

If the acquisition of Scientific Vacuum Systems Limited had been completed on the first day of the financial year, the additional impact on group revenues for the period would have been £1,499k and the additional impact on group profit would have been approximately £437k, before additional £267k of amortisation expense.

The goodwill of £2,444k arising from the acquisition relates to the assembled workforce and to expected future profitability, synergy and growth expectations.

29

Business Combinations (continued)

A third party performed a detailed review of the acquired intangible assets and recognised acquired customer relationships and order book. The customer relationships intangible asset was valued using a multi-period excess earnings methodology. The estimated fair value of the customer relationships therefore reflects the present value of the projected stream of cash flows that are expected to be generated by existing customers going forwards, net of orders on hand at the date of acquisition. Key assumptions are the discount rate and attrition rate. Values of 16.7% and 10% were selected.

The deferred tax liability has been calculated on the amortisable intangible assets using the current enacted statutory tax rate of 25%.

The last financial year for Scientific Vacuum Systems Limited before the acquisition closed was to 30 September 2021. The current financial year has been shortened by five months to April 2022 to align with that of SDI Group plc.

On 24 March 2022, the Company acquired 100% of the share capital of Safelab Systems Limited, a company incorporated in England and Wales, for a consideration payable in cash and shares.

The assets and liabilities acquired were as follows:

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Assets			
Non-current assets			
Intangible assets	–	2,612	2,612
Property, plant & equipment	1,593	72	1,665
Total non-current assets	1,593	2,684	4,277
Current assets			
Inventories	599	–	599
Trade and other receivables	784	–	784
Cash and cash equivalents	758	–	758
Liabilities			
Trade and other payables	(585)	–	(585)
Borrowings – lease commitments	–	(72)	(72)
Corporation tax	(128)	–	(128)
Deferred tax liability	(34)	(653)	(687)
Net assets acquired	2,987	1,959	4,946
Goodwill			3,561
Consideration and cost of investment			8,507
Fair value of consideration transferred			
Cash paid in year			5,920
Deferred consideration			2,387
SDI Group shares issued to sellers			200
			8,507

Safelab Systems Limited contributed £522k revenue and approximately £98k to the Group's profit before tax for the period between the date of acquisition and the balance sheet date, not including £68k of acquired intangible asset amortisation.

If the acquisition of Safelab Systems Limited had been completed on the first day of the financial year, the additional impact on group revenues for the period would have been £4,730k and the additional impact on group profit would have been approximately £713k, before additional £342k of amortisation expense.

The goodwill of £3,561k arising from the acquisition relates to the assembled workforce and to expected future profitability, synergy and growth expectations.

Management performed a detailed review of the acquired intangible assets, and recognised acquired customer relationships, tradename and order book. The customer relationships intangible asset was valued using a multi-period excess earnings methodology. The estimated fair value of the customer relationships therefore reflects the present value of the projected stream of cash flows that are expected to be generated by existing customers going forwards, net of orders on hand at the date of acquisition. Key assumptions are the discount rate and attrition rate. Values of 14.8% and 20% were selected.

A total of 117,716 shares were issued for consideration for £200k.

The deferred tax liability has been calculated on the amortisable intangible assets using the current enacted statutory tax rate of 25%.

The last financial year for Safelab Systems Limited before the acquisition closed was to 28 February 2022. The current financial year has been extended by two months to April 2023 to align with that of SDI Group plc.

Company Balance Sheet

as at 30 April 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Property, plant & equipment		3	7
Investments	4	36,651	27,476
Intangible assets	5	–	–
Deferred tax asset	6	1,106	1,241
		37,760	28,724
Current assets			
Debtors	7	4,613	4,315
Cash		2,431	3,184
		7,044	7,499
Creditors: amounts falling due within one year	8	(9,934)	(12,507)
Net current liabilities		(2,890)	(5,008)
Total assets less current liabilities		34,870	23,716
Creditors: amounts falling due after more than one year	9 & 10	(4,001)	(1,716)
Net assets		30,869	22,000
Capital and reserves			
Called up share capital	11	1,022	984
Share premium account		9,905	9,092
Share-based payment reserve		523	714
Merger relief reserve		424	424
Profit and loss account		18,995	10,786
Shareholders' funds		30,869	22,000

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's profit for the financial year was £7,443k (2021: £3,597k).

The financial statements were approved and authorised for issue by the Board of Directors on 21 July 2022.



Mike Creedon
Chief Executive Officer



Jon Abell
Chief Financial Officer

Company registration number: 06385396

Company Statement of Changes in Equity

as at 30 April 2022

90/91

	Share capital £'000	Merger reserve relief £'000	Share premium reserve £'000	Share- based payment reserve £'000	Profit and loss account £'000	Total £'000
As at 1 May 2021	984	424	9,092	714	10,786	22,000
Shares issued	38	–	813	–	–	851
Share-based payment transfer	–	–	–	(504)	504	–
Share-based payments	–	–	–	313	–	313
Transactions with owners	38	–	813	(191)	504	1,164
Tax in respect to share options	–	–	–	–	262	262
Profit for the year	–	–	–	–	7,443	7,443
Total comprehensive income	–	–	–	–	7,705	7,705
At 30 April 2022	1,022	424	9,905	523	18,995	30,869

	Share capital £'000	Merger reserve relief £'000	Share premium reserve £'000	Share- based payment reserve £'000	Profit and loss account £'000	Total £'000
As at 1 May 2020	975	424	8,748	467	6,109	16,723
Shares issued	9	–	344	–	–	353
Share-based payment transfer	–	–	–	(58)	58	–
Share-based payments	–	–	–	305	–	305
Transactions with owners	9	–	344	247	58	658
Tax in respect to share options	–	–	–	–	1,022	1,022
Profit for the year	–	–	–	–	3,597	3,597
Total comprehensive income	–	–	–	–	4,619	4,619
At 30 April 2021	984	424	9,092	714	10,786	22,000

1 Principal Accounting Policies

Basis of preparation

The separate financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. The financial statements are prepared under the historical cost convention.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- A statement of cash flows and related notes
- The requirements of IAS 24 related party disclosures to disclose related party transactions entered between two or more members of the group as they are wholly owned within the group.
- Disclosure of key management personnel compensation
- Capital management disclosures
- Presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period
- The effect of future accounting standards not adopted
- Certain share-based payment disclosures
- Disclosures in relation to impairment of assets
- Financial instrument disclosures under IFRS 9

Investments

SDI Group plc qualifies for merger relief under Companies Act 2006 s612 and has recorded the investment in Synoptics Limited at the nominal value of the shares issued, less provision for impairment. The shares issued on acquisition of Opus Instruments Limited also qualified for merger relief under Companies Act 2006 s612 and so the premium has been classified as a merger relief reserve. All other investments are recorded at cost, less any provision for impairment.

Other intangible assets

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill providing the assets are separable or they arise from contractual or other legal rights and their fair value can be measured reliably. The fair value of intangible assets in a business combination includes the value of any tax benefit.

Share options

SDI Group plc regularly issues share options to employees, including to employees of subsidiary companies. The fair value of the employee services received in exchange for the grant of options is recognised as an expense which is written off to the income statement over the vesting period of the option. The amount to be expensed is determined by reference to the fair value of the options at the grant date adjusted for the number expected to vest. The expense relating to these options is recognised in the relevant subsidiary company income statement. The carrying value of the investment in those subsidiaries is increased by an amount equal to the value of share-based payment charge attributable to the option holders in the respective subsidiaries.

Taxation

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group or it is probable that reversal will not occur in the foreseeable future. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the temporary difference can be utilised.

The carrying value of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow part or all of the assets to be recovered.

Deferred tax is calculated using tax rates that are enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax relating to items recognised in other comprehensive income is recognised in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that results in a residual interest in the assets of the Company after deducting all of its financial liabilities. Equity instruments do not include a contractual obligation to deliver cash or other financial asset to another entity.

Any instrument that does have the obligation to deliver cash or another financial asset to another entity is classified as a financial liability. Financial liabilities are presented under creditors on the balance sheet.

Pension

The pension costs charged against profits represent the amount of the contribution's payable to the defined contribution scheme in respect of the accounting period.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares
- "Merger relief reserve" represents the difference between the parent company's cost of investment and the subsidiary's share capital and share premium where a group reorganisation qualifies as a common control transaction.
- "Share premium account" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Share-based payment reserve" represents equity-settled share-based employee remuneration until such share options are exercised. The equity component of convertible loan stock, if any, is also included. On conversion of the loan stock the equity component is transferred into the retained earnings reserve.
- "Retained earnings" represents retained profits.

2 Employee Remuneration

Remuneration in respect of directors paid by the Company was as follows:

	2022 £'000	2021 £'000
Emoluments	729	654
Pension	16	14
	745	668

During the year, 5 directors exercised options over the Ordinary shares of the Company realising a gain on exercise of £4,343k (2021: £nil).

Details of directors' interest in the shares and options of the Company are provided in the directors' remuneration report on pages 34-35. The highest paid director aggregate entitlements were £338k (2021: £283k) which includes the gain on share options exercised, in addition to Company pension contributions of £9k (2021: £8k) made to a money purchase scheme. As at 30 April 2022 the highest paid Director held a total of 712,974 share options (2021: 1,952,327 share options).

Key management for the Company is considered to be the directors of the Company. Employer's National Insurance in respect of directors was £366k (2021: £61k) which has increased this year due to the exercise of share options.

Share-based employee remuneration

Further details of the Company's share-based remuneration are set out in note 7 to the consolidated financial statements. The share-based payment expense for the Company totalled £191k (2021: £202k).

3 Auditor's Remuneration

Auditor's remuneration attributable to the Company is as follows:

	2022 £'000	2021 £'000
Fees payable to the company's auditor for the audit of the financial statements	30	20

4 Investments

Investments in Group undertakings	£'000
Cost and net book amount as at 1 May 2021	27,476
Additions	9,059
Share-based payment expense recognised as capital contributions in subsidiaries	116
Cost and net book amount as at 30 April 2022	36,651

Details of the investments are as follows:

Subsidiary undertakings	Country of Incorporation	Holdings	% of voting rights	Nature of Business
Synoptics Limited	England & Wales	Ordinary shares	100%	Design & Manufacture
Atik Cameras Limited	England & Wales	Ordinary shares	100%	Design
Atik Cameras Unipessoal Lda	Portugal	Share quotas	100%	Manufacture
Opus Instruments Limited	England & Wales	Ordinary shares	100%	Dormant
Sentek Limited	England & Wales	Ordinary shares	100%	Design & Manufacture
Astles Control Systems Limited	England & Wales	Ordinary shares	100%	Design & Manufacture
Applied Thermal Control Limited	England & Wales	Ordinary shares	100%	Design & Manufacture
Fistreem International Limited	England & Wales	Ordinary shares	100%	Design & Manufacture
Thermal Exchange Limited	England & Wales	Ordinary shares	100%	Dormant
Graticules Optics Limited	England & Wales	Ordinary shares	100%	Design & Manufacture
MPB Industries Limited	England & Wales	Ordinary shares	100%	Design & Manufacture
Chell Instruments Limited	England & Wales	Ordinary shares	100%	Design & Manufacture
Monmouth Scientific Limited	England & Wales	Ordinary shares	100%	Design & Manufacture
Ducthub Limited	England & Wales	Ordinary shares	100%	Dormant
Labhub Limited	England & Wales	Ordinary shares	100%	Dormant
Scientific Vacuum Systems Limited	England & Wales	Ordinary shares	100%	Design & Manufacture
Safelab Systems Limited	England & Wales	Ordinary shares	100%	Design & Manufacture

The following companies are all held by Synoptics Limited:

Scientific Digital Imaging Limited	England & Wales	Ordinary shares	100%	Dormant
Synoptics Inc	USA	Ordinary	100%	Distributor

The following company is held by Monmouth Scientific Limited:

Uniform Engineering Limited	England & Wales	Ordinary shares	100%	Design & Manufacture
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Each of the above investments has been included in the consolidated financial statements.

A parental guarantee has been granted to Fistreem International Limited, company number 05136733, in accordance with the Companies Act 2006 s479c, relating to the audit of its individual accounts.

5 Intangible Assets

	2021 £'000
Cost at 30 April 2022 & 2021	50
Amortisation at 30 April 2022 & 2021	50
Net book value as at 30 April 2021	–
Net book value as at 30 April 2022	–

6 Deferred Tax Asset

	2022 Deferred tax asset £'000	2021 Deferred tax asset £'000
Opening	1,241	164
Deferred tax on share options	(1,077)	964
Adjustment on enacted tax rate	373	–
Trading losses recognised	657	–
Adjustment to prior year	19	–
Other temporary differences	(107)	113
At 30 April 2022	1,106	1,241

	2022 Deferred tax asset £'000	2021 Deferred tax asset £'000
Other temporary differences	42	113
Trading losses	657	–
Deferred tax on share option exercises	407	1,128
At 30 April 2022	1,106	1,241

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £260k (2021: £198k) in respect of losses. Total losses (provided and unprovided) totalled £1.3m (2021: £1.5m). These losses are all pre-1 April 2017 and therefore cannot be offset against trading profits of the same trade post 1 April 2017.

The deferred tax asset relates to tax deductions for share options as they are exercised.

Debtors

	2022 £'000	2021 £'000
Amounts owed by group undertakings	4,421	4,210
Prepayments and accrued income	164	97
Other debtors	28	8
	4,613	4,315

All debtors fall due within one year of the balance sheet date. No provisions are made for inter-group debtors as the credit risk is not thought to be significant.

Creditors: Amounts Falling Due Within One Year

	2022 £'000	2021 £'000
Bank loans	–	1,371
Amounts owed to group undertakings	9,117	7,746
Trade creditors	160	31
Finance lease liabilities	2	7
Social security and other taxes	24	16
Other creditors	–	2,928
Accruals and deferred income	631	408
	9,934	12,507

Creditors: Amounts Falling Due After One Year

	2022 £'000	2021 £'000
Bank loans	4,000	1,714
Finance lease liabilities	1	2
	4,001	1,716

10 Borrowings

	2022 £'000	2021 £'000
Within one year		
Bank loans	–	1,371
Finance lease liabilities	2	7
	2	1,378
After one and within five years		
Bank loans	4,000	1,714
Finance lease liabilities	1	2
	4,001	1,716
Total borrowings	4,003	3,094

Bank finance relates to amounts drawn down under the Group's bank facility with HSBC Bank plc, which is secured against all assets of the Group. Until 01 November 2021, the facility consisted of a revolving facility of £5.0m and an amortising facility which reduced in quarterly instalments from £4.8m when it was taken out in November 2019 to zero by November 2024, when the agreement was due to expire. On 01 November 2021 the Group renewed and expanded its committed loan facility with HSBC to £20m, with a further accordion option of an additional £10m (at the discretion of HSBC), and with repayment date of November 2024 extendable for two further years. The revolving facility is available for general use. The facility has covenants relating to leverage (net debt to EBITDA) and interest coverage.

11 Called Up Share Capital

	2022 £'000	2021 £'000
Authorised		
1,000,000,000 Ordinary shares (2020: 1,000,000,000) of 1p each	10,000	10,000
Allotted, called up and fully paid 102,199,676		
(2021: 98,408,164) Ordinary shares of 1p each	1,022	984

During the year 3,791,512 Ordinary shares of 1p were issued due to the exercise of options and 117,716 Ordinary shares of 1p were issued to part fund the acquisition made during the year. The 3,673,796 options had an exercise price ranging from £0.110 to £1.699. The Group received £651k cash as well as offsetting £200k against the acquisition of Safelab Systems Limited. The £851k consideration received was allocated £38k to share capital and £813k to share premium.

Share options

A summary of options outstanding currently is provided in note 7 to the consolidated financial statements.

12 Related Party Transactions

Transactions with directors are disclosed within the Directors' Remuneration Report and note 7 to the consolidated financial statements. The Company is not required to disclose transactions with its wholly owned subsidiaries.

	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Revenue	49,656	35,076	24,498	17,427	14,496	10,748	8,473
Cost of sales	(17,998)	(12,206)	(7,899)	(5,902)	(4,954)	(3,837)	(3,298)
Gross profit	31,658	22,870	16,599	11,525	9,542	6,911	5,175
Gross margin %	63.8%	65.2%	67.8%	66.1%	65.8%	64.3%	61.1%
Other income	55	21	19	–	–	–	–
All other operating costs	(19,640)	(15,191)	(12,016)	(8,423)	(7,196)	(5,575)	(4,356)
Adjusted Operating Profit	12,073	7,700	4,602	3,102	2,346	1,336	819
Reorganisation costs	(125)	(132)	(110)	(124)	(63)	(87)	(17)
Share-based payments	(313)	(305)	(276)	(136)	(65)	(2)	(7)
Acquisition costs	(341)	(179)	(58)	(288)	(165)	(165)	(178)
Amortisation of acquired intangible assets	(1,115)	(1,153)	(647)	(356)	(277)	(118)	(81)
Operating profit	10,179	5,931	3,511	2,198	1,776	964	536
Net financing expenses	(295)	(287)	(254)	(77)	(63)	(61)	(40)
Profit before tax	9,884	5,644	3,257	2,121	1,713	903	496
Income tax	(2,341)	(936)	(666)	(209)	(98)	(75)	75
Profit for the year	7,543	4,708	2,591	1,912	1,616	828	571
Cash generated from operations	14,689	11,710	5,169	3,620	2,854	1,406	1,298
Earnings per share							
Basic earnings per share	7.53p	4.81p	2.66p	2.10p	1.81p	1.17p	1.17p
Diluted earnings per share	7.23p	4.58p	2.56p	2.05p	1.79p	1.14p	1.15p
Adjusted diluted earnings per share	8.71p	5.97p	3.43p	2.83p	2.30p	1.55p	1.61p

Shareholder Information

SDI Group plc

Company registration number 6385396

Registered office

Beacon House, Nuffield Road, Cambridge CB4 1TF

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E K Ford Chairman

M J Creedon Chief Executive Officer

J P Abell Chief Financial Officer

I Napper Non-Executive Director

D F Tilston Non-Executive Director

Company Secretary

J P Abell

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Auditor

Grant Thornton UK LLP

Registered Auditor, Chartered Accountants

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Tax Advisors

RSM

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