



SDI Group plc, the AIM quoted Group focused on the design and manufacture of scientific and technology products for use in digital imaging and sensing and control applications, is pleased to announce another strong set of results and solid operational progress for the six months to the end of October 2022.

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Financial Highlights

Revenue

▲ **28.3%**

to **£31.7m** (H1 FY22: £24.7m)

Adjusted operating profit*

▲ **19%**

to **£6.9m** (H1 FY22: £5.8m)

Adjusted profit before tax*

▲ **14%**

to **£6.5m** (H1 FY22: £5.7m)

Adjusted diluted EPS*

▲ **28.1%**

to **5.02p** (H1 FY22: 3.92p)

Reported operating profit

▲ **7.7%**

to **£5.6m** (H1 FY22: £5.2m)

Reported profit before tax

▲ **3.9%**

to **£5.3m** (H1 FY22: £5.1m)

Reported diluted EPS

▲ **18.4%**

to **4.06p** (H1 FY22: 3.43p)

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

Operational Highlights

- **Two new acquisitions added to the Group**
LTE Scientific Limited and Fraser Anti-Static Techniques Limited
- Growth over the first half of FY23, including 3.8% organic growth and 24.5% from acquisitions

Chairman's Statement

Interim results for the six months ended 31 October 2022

"We are pleased to report yet another strong set of financial results. SDI Group continues to execute on its business model, adding two quality businesses to our portfolio and maintaining growth. A higher interest rate environment will lead to a small increase in interest rate expense in the second half. We look forward to delivering a full year trading performance in line with market expectations."

Ken Ford Chairman

As the coronavirus pandemic partly recedes into the rear-view mirror, we emerge into a different more uncertain world, with high inflation and the UK economy fast approaching a recession, if it is not there already. In this sort of environment, our agile business model, which involves smaller niche autonomous businesses operating in a multitude of markets gives us the ability to respond quickly to market movements. We are still delivering products at volume that are being used in the Covid detection effort but, as previously communicated, it is expected that this will reduce over the second half of the year. However, our businesses have room to grow in their markets and we expect that to continue.

We acquired two new businesses in the first half of the financial year in line with our growth strategy. This brings the total number of businesses acquired over the calendar year to four. LTE Scientific Limited ("LTE") was acquired in July and Fraser Anti-Static Techniques Limited ("Fraser") in October. LTE is a UK company which specialises in the design, manufacture and servicing of sterilizers, decontamination and thermal processing equipment, used in the life science and medical market sectors. Fraser is a leading UK manufacturer of anti-static products which eliminate, clean, generate or measure static electricity in a variety of industries including plastics, packaging and printing, amongst others. Fraser's technologies and markets are unrelated to our current portfolio. However, LTE operates

in a market with which we are already familiar. Both companies fit perfectly within our acquisition criteria and have become part of our Sensors and Control segment. These businesses will be operated separately from our existing businesses. We warmly welcome our new colleagues to the SDI Group.

Board

As previously communicated, Ami Sharma took over as CFO in August from Jon Abell who retired in September after a handover period.

In August, Andrew Hosty was appointed to the Board as a non-executive director as Isabel Napper stepped down. The Board intends to appoint another non-executive director in due course.

Trading

Demand from OEM customers was more variable this half year than the equivalent period last year. A strong market for chiller products and cameras was offset to some degree by continuing subdued demand for capital equipment purchases for general laboratory use. Positively, the easing of pandemic rules has made servicing activity easier to arrange and carry out. In common with manufacturing industry across the world, and perhaps especially in the UK, the pandemic is causing supply chain issues to all our businesses.

These continue to be a significant drain on management time, and our businesses are having to work hard to source components or modify designs for missing ones. This is expected to continue. It has impacted upon the timing of deliveries for some of our businesses.

Inflationary cost increases have, in general, been passed on to customers where possible and gross margins have generally held.

The good news is that the general level of sales enquiries remains at a strong level. Prior to the pandemic, trade fairs and exhibitions provided a robust avenue for generating sales leads and meeting OEMs. It is pleasing to report that in-person trade fairs and exhibitions have re-started and several of our businesses have attended them, with positive feedback received. Examples include ACHEMA (Berlin), Analytica (Frankfurt) and VISION (Stuttgart). Direct face to face meetings with customers, an effective method of launching new products, have become more common as business life starts to return to some level of normality.

The addition of LTE to the Group adds to our existing businesses, Monmouth, Safelab Systems and Synoptics, which sell into the laboratory market and provides an opportunity for synergies. The Group will maintain the identity and autonomy of these 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.

Revenues

Group revenues increased by 28.3% to £31.7m (H1 FY22: £24.7m). The increase was driven by two major factors:

- Our Atik Cameras business has continued to increase revenues year on year. This has been driven by sales of cameras to an international OEM for use in PCR machines as well as increased general demand for other types of

cameras. We expect current orders, paid for in advance of shipment, to be fulfilled over the second half of the financial year, and we have no visibility of further orders from the international OEM customer. The business has, however, experienced strong organic growth when excluding this contract.

- Acquisitions over the second half of FY22 and the first half of FY23, SVS, Safelab Systems and LTE, delivered £6.1m of sales. Both SVS and Safelab Systems are ahead of expectations, with LTE being acquired recently. Fraser was acquired at the very end of H1 FY23.

Organic revenue growth across the business was 3.8%. The three-year pandemic period from FY20 to FY22 produced revenue and profit fluctuations which have not fully settled yet, but H1 FY23 has stronger comparatives than H1 FY22. As noted above Atik Cameras continue to deliver on their large PCR camera order, whilst strong demand for scientific and industrial cooling systems drove growth at Applied Thermal. This was offset by a softer post COVID market for both Monmouth Scientific and Synoptics, particularly in the UK. Component delays have impacted upon Astles Control Systems and Chell Instruments delivery timings, but Sentek experienced strong demand for chemical sensors.

Sales in our Digital Imaging segment grew by 9.6% to £12.5m (H1 FY22: £11.4m) and sales in Sensors & Control were 44.4% higher at £19.2m (H1 FY22: £13.3m), the latter all acquisition driven.

Profits

Gross margins were lower than in H1 FY22, due to mix, with the acquisitions having slightly lower gross margins than the Group average. We have increased prices to offset the impacts of component and raw material price increases, and generally we have seen customer acceptance of this.

Chairman's Statement continued

Overheads are higher than the comparative period mainly due to acquisitions, inflation, both for salaries and other overheads and some organic headcount increases. Most of our power and heat costs are fixed until Q1 2023.

Adjusted Group profit before tax increased by 14.0% to £6.5m (H1 FY22: £5.7m). **Statutory Group profit before tax increased by 3.9% to £5.3m** (H1 FY22: £5.1m) driven by the organic revenue growth and the contribution of the H2 FY22 acquired businesses.

In addition to the performance measures defined under IFRS, the Group also provides adjusted results in which certain one-time and non-cash charges are excluded, to help shareholders understand the underlying operating performance. Adjustments for the period were for the amortisation of acquired intangible assets, share-based payments and acquisition costs totalling £1.2m (H1 FY22: £0.6m).

Our effective tax rate (on adjusted profit before tax) was 16.2% (H1 FY22: 26.7%). The prior period effective tax rate was higher as it included an adjustment of £0.6m to align certain deferred tax assets and liabilities (except for deferred tax assets related to share options) to the new UK corporate tax rate of 25.0% from April 2023.

A £0.2m favourable impact from aligning the deferred tax asset for future share option gains to current share prices and tax rates has been booked directly to equity.

Basic earnings per share increased by 15.0% to 4.15p (H1 FY22: 3.61p); **diluted earnings per share increased by 18.4% to 4.06p** (H1 FY22: 3.43p). **Adjusted diluted earnings per share increased by 28.1% to 5.02p** (H1 FY22: 3.92p).

Cash Flow

Cash generated from operations reduced to £1.9m (H1 FY22: £4.4m). The reduction was due to a £2m build-up of inventories to mitigate the impact of component shortages and PCR camera deliveries due to be shipped over the second half of the year and a £1.3m reduction in customer advances, largely due to PCR camera shipments in the first half.

The Group acquired two businesses over the period (see below). A total of £20.9m in cash was paid offset by a net £6.7m of cash acquired with the two businesses. In June 2022 we paid the deferred consideration of £2.4m for the prior year acquisition of Safelab Systems Limited. A further £1.0m in deferred consideration relating to the acquisition of Scientific Vacuum Systems Limited remains outstanding pending assessment of the earn-out conditions and is accrued in trade and other payables.

Net debt, or bank debt less cash, was £15.4m at 31 October 2022, compared to a net cash position at 30 April 2022 and 31 October 2021 of £1.1m at both dates. This represents a net debt: EBITDA ratio of 1.0x, which compares to a 2.5x ceiling provided by our bank facility. At 31 October 2022, the Group had £1m of headroom within its £20m committed loan facility with HSBC. On 30 November 2022, the Group reached agreement with HSBC to exercise £5m of an available £10m accordion option, which increased the committed loan facility from £20m to £25m, hence increasing the available head room to £6m. The balance of the accordion option (£5m) remains available to the Group (at the discretion of HSBC) for future exercise. The Group has an unstretched balance sheet and has sufficient access to funds, alongside its steady cash flow, to acquire new companies and invest in our current portfolio of businesses.

Operations

Whilst staff turnover generally remains low, we continue to experience a tight labour market. We have managed to fill some, but not all, skilled vacancies relatively quickly. Cost increases, in relation to materials, have generally been passed on to customers.

Our rolling programme of upgrading manufacturing facilities across the Group continues with the refurbishment of the Graticules Optics factory in Tonbridge. This investment will bring a capacity increase as well as improving efficiency, staff comfort, product quality and image.

We continue to invest in expanding and enhancing our product range. The hiring of some new marketing talent has also resulted in some improved website designs with positive results to date.

Acquisitions

On 29 July 2022, the Group acquired 100% of the share capital of LTE for a total consideration of £5.5m, which included freehold ownership of its manufacturing facility, valued at approximately £1.7m. On the date of the acquisition, LTE had £2.6m of cash in hand.

LTE specialises in the design, manufacture and servicing of sterilizers, decontamination and thermal processing equipment, used in the life science and medical market sectors. Other manufactured products include environmental rooms and chambers, endoscope storage cabinets, laboratory ovens, incubators and drying cabinets. LTE operates in similar markets to Monmouth Scientific and Safelab Systems, albeit with different products, and is based in Greenfield, Greater Manchester.

On 21 October 2022, the Group acquired 100% of the share capital of Fraser Anti-Static Techniques Limited ("Fraser"), for a total consideration of £16.9m, of which £15.4m was

paid before the period end and £1.5m (accrued in other payables) is due to be paid over the second half of the financial year. Approximately £1.0m of the deferred consideration is based on net assets on completion date. The total consideration includes freehold ownership of three of Fraser's manufacturing sites, valued at approximately £1.8m, and the business had approximately £4.1m of cash in hand on the date of completion.

Fraser is a leading UK manufacturer of anti-static products which eliminate, clean, generate or measure static electricity in a variety of industries including plastics, packaging, printing, food processing, medical and pharma amongst others. The business has sites in Bampton, Devon and Bristol as well as sales offices in Shanghai, China and Dresden, Germany. Fraser's markets are mainly global, and the business is considered to be one of the top ten suppliers of anti-static products.

Outlook

The COVID 19 related orders at Atik will complete this financial year, as has been previously communicated. The weighting of these camera deliveries are skewed to the first half of the year. SDI Group continues to execute on its business model, adding two quality businesses to our portfolio and maintaining growth. A higher interest rate environment will lead to a small increase in interest rate expense in the second half. We look forward to delivering a full year trading performance in line with market expectations.



Ken Ford
Chairman
7 December 2022

Group Overview

Digital Imaging

The digital imaging segment consists of three divisions:



ATIK CAMERAS

Atik Cameras offers three brands of camera:

Atik – highly sensitive cameras for life science and industrial applications, as well as deep-sky astronomy;

Quantum Scientific Imaging (QSI) – high performance cameras with applications in astronomy, life science and flat panel display inspection; and

- **Opus Instruments** – infrared reflectography cameras for art conservation and restoration.



SYNOPTICS

Offers a range of instruments under four brands:

- **Syngene** – advanced systems for documentation and analysis of gels for molecular biologists. This brand utilises some of the range from Atik Cameras;

- **Synbiosis** – equipment for microbiologists to automate colony counting and zone measurement;

- **Synoptics Health** – ProReveal, to detect residual proteins on surgical instruments; and

- **Fistreem** – water purification products and vacuum ovens.



GRATICULES OPTICS

Designs and manufactures precision micro pattern products on glass, film and metal foil.

Sensors & Control

The sensors and control segment currently encompasses six divisions:



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.



ASTLES CONTROL SYSTEMS

Astles is a supplier of chemical dosing and control systems to manufacturing customers worldwide.



APPLIED THERMAL CONTROL & THERMAL EXCHANGE

Applied Thermal Control & Thermal Exchange have been merged into a single division and manufacture and supply chillers, coolers and heat exchangers used within industrial, medical and scientific markets.



MPB INDUSTRIES

Designs and manufactures flowmeters and other equipment for measuring liquids and gases for industrial and scientific applications.



CHELL INSTRUMENTS

Specialises in the design, manufacture and calibration of pressure, vacuum, and gas flow measurement instruments for a variety of sectors including aerospace, vehicle aerodynamics, gas and steam turbine testing and power generation industries.



MONMOUTH SCIENTIFIC

The company designs, manufactures and services clean air solutions specialising in cleanrooms, biological safety fume cupboards and laminar flow cabinets.



UNIFORM ENGINEERING

Acquired in January 2021, Uniform. is a manufacturer of high-quality bespoke metal enclosures and housings used in a variety of applications including pharmaceutical, laboratory and safety equipment.



SCIENTIFIC VACUUM SYSTEMS

Acquired January 2022

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.



SAFELAB SYSTEMS

Acquired March 2022

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.



LTE SCIENTIFIC

Acquired August 2022

LTE specialises in the design and manufacture of sterilizers, decontamination and thermal processing equipment, used in the life science and medical market sectors.



FRASER ANTI-STATIC TECHNIQUES

Acquired October 2022

Fraser Anti-Static Techniques is one of the leading global manufacturers of anti-static products which eliminate, clean, generate or measure static electricity in a variety of industries including plastics, packaging, printing, food processing, medical and pharma amongst others.

For more information visit sdigroup.com/portfolio

Consolidated Income Statement

Unaudited for the six months ended 31 October 2022

	Note	6 months to 31 October 2022 Unaudited £'000	6 months to 31 October 2021 Unaudited £'000	12 months to 30 April 2022 Audited £'000
Revenue		31,720	24,655	49,656
Costs of sales		(11,764)	(8,783)	(17,998)
Gross Profit		19,956	15,882	31,658
Other operating income		50	20	55
Operating expenses		(14,383)	(10,695)	(21,534)
Operating profit		5,623	5,207	10,179
Net financing expense		(318)	(105)	(295)
Profit before taxation		5,305	5,102	9,884
Income tax charge	8	(1,061)	(1,526)	(2,341)
Profit for the period		4,244	3,576	7,543
Earnings per share	5			
Basic earnings per share		4.15p	3.61p	7.53p
Diluted earnings per share		4.06p	3.43p	7.23p

Consolidated Statement of Comprehensive Income

Unaudited for the six months ended 31 October 2022

	6 months to 31 October 2022 Unaudited £'000	6 months to 31 October 2021 Unaudited £'000	12 months to 30 April 2022 Audited £'000
Profit for the period	4,244	3,576	7,543
Other comprehensive income			
Exchange differences on translating foreign operations	170	(161)	46
Total comprehensive profit for the period	4,414	3,415	7,497

Consolidated Balance sheet

Unaudited at 31 October 2022

	Note	31 October 2022 Unaudited £'000	31 October 2021 Unaudited £'000	30 April 2022 Audited £'000
Assets				
Non-current assets				
Intangible assets		47,264	25,730	36,035
Property, plant and equipment		15,015	4,225	11,379
Deferred tax asset	8	1,547	1,660	1,586
		63,826	31,615	49,000
Current assets				
Inventories		12,066	6,957	7,273
Trade and other receivables		11,566	7,786	7,544
Cash and cash equivalents		3,619	3,513	5,106
		27,251	18,256	19,923
Total assets		91,077	49,871	68,923
Liabilities				
Non-current liabilities				
Borrowings	6	19,000	1,029	4,000
Lease liabilities	6	6,304	1,936	6,656
Deferred tax liability	8	5,795	2,993	4,417
		31,099	5,958	15,073
Current liabilities				
Trade and other payables		16,543	9,727	16,089
Provisions		88	230	163
Borrowings	6	–	1,371	–
Lease liabilities	6	802	498	779
Current tax payable		1,889	1,165	1,027
		19,322	12,991	18,058
Total liabilities		50,421	18,949	33,131
Net assets		40,656	30,922	35,792
Equity				
Share capital		1,027	996	1,022
Merger reserve		2,606	2,606	2,606
Merger relief reserve		424	424	424
Share premium account		10,093	9,359	9,905
Share-based payment reserve		656	728	320
Foreign exchange reserve		209	(76)	39
Retained earnings		25,641	16,885	21,476
Total equity		40,656	30,922	35,792

Consolidated Statement of Cash Flows

Unaudited for the six months ended 31 October 2022

	Note	6 months to 31 October 2022 Unaudited £'000	6 months to 31 October 2021 Unaudited £'000	12 months to 30 April 2022 Audited £'000
Operating activities				
Net profit for the period		4,244	3,577	7,543
Depreciation and amortisation		2,010	1,315	2,773
Finance costs and income		318	105	295
Impairment of intangibles		–	–	30
Changes in provisions		(75)	–	(97)
Taxation expense in the income statement		1,061	1,526	2,341
Employee share-based payments		140	159	313
Operating cash flow before movement in working capital		7,698	6,682	13,198
Changes in inventories		(1,906)	(886)	(365)
Changes in trade and other receivables		(1,070)	(573)	652
Changes in trade and other payables		(2,847)	(808)	1,204
Cash generated from operations		1,875	4,415	14,689
Interest paid		(318)	(105)	(295)
Income taxes paid		(691)	(735)	(1,290)
Cash generated from operating activities		866	3,575	13,104
Cash flows from investing activities				
Capital expenditure on fixed assets		(443)	(510)	(1,426)
Sale of property plant and equipment		10	32	66
Expenditure on development and other intangibles		(183)	(115)	(415)
Acquisition of subsidiaries, net of cash	7	(16,523)	(2,500)	(10,995)
Net cash used in investing activities		(17,139)	(3,093)	(12,770)
Cash flows from financing activities				
Payments of lease liabilities		(386)	(296)	(583)
Proceeds from bank borrowings		15,000	–	9,000
Repayment of borrowings		–	(686)	(8,086)
Issues of shares & proceeds from option exercises		–	278	651
Net cash from/(used in) financing activities		14,614	(704)	982
Net (decrease)/increase in cash and cash equivalents		(1,659)	(222)	1,316
Cash and cash equivalents, beginning of period		5,106	3,836	3,836
Foreign currency movements on cash balances		172	(101)	(46)
Cash and cash equivalents, end of period		3,619	3,513	5,106

Consolidated Statement of Changes in Equity

Unaudited for the six months ended 31 October 2022

6 months to 31 October 2022 – unaudited	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 1 May 2022	1,022	2,606	424	39	9,905	320	21,476	35,792
Shares issued	5	–	–	–	188	–	–	193
Tax in respect to share options	–	–	–	–	–	–	117	117
Share-based payments transfer	–	–	–	–	–	196	(196)	–
Share based payments	–	–	–	–	–	140	–	140
Transactions with owners	5	–	–	–	188	336	(79)	450
Profit for the period	–	–	–	–	–	–	4,244	4,244
Foreign exchange on consolidation of subsidiaries	–	–	–	170	–	–	–	170
Total comprehensive income for the period	–	–	–	170	–	–	4,244	4,414
Balance at 31 October 2022	1,027	2,606	424	209	10,093	656	25,641	40,656

6 months to 31 October 2021 – unaudited	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 1 May 2021	984	2,606	424	85	9,092	714	12,869	26,774
Shares issued	12	–	–	–	267	–	–	279
Tax in respect to share options	–	–	–	–	–	–	295	295
Share-based payments transfer	–	–	–	–	–	(145)	145	–
Share based payments	–	–	–	–	–	159	–	159
Transactions with owners	12	–	–	–	267	14	440	733
Profit for the period	–	–	–	–	–	–	3,576	3,576
Foreign exchange on consolidation of subsidiaries	–	–	–	(161)	–	–	–	(161)
Total comprehensive income for the period	–	–	–	(161)	–	–	3,576	3,415
Balance at 31 October 2021	996	2,606	424	(76)	9,359	726	16,885	30,922

12 months to 30 April 2022 – audited	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 to share options	–	–	–	–	–	–	357	357
Share-based payments transfer	–	–	–	–	–	(707)	707	–
Share based payments	–	–	–	–	–	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	–	–	–	(46)	–	–	7,543	7,497
Balance at 30 April 2022	1,022	2,606	424	39	9,905	320	21,476	35,792

Notes to the Interim Financial Statements

1 General Information and Basis of Preparation

SDI Group plc (the "Company"), a public limited company, is the Group's ultimate parent. It is registered in England and Wales. The consolidated interim financial statements of the Company for the period ended 31 October 2022 comprise the Company and its subsidiaries (together referred to as the "Group").

The unaudited consolidated interim financial statements are for the six months ended 31 October 2022. These interim financial statements have been prepared using the recognition and measurement principles of International Accounting Standards in conformity with the requirements of the Companies Act 2006. The consolidated interim financial information has been prepared under the historical cost convention, as modified by the recognition of certain financial instruments at fair value. The consolidated interim financial statements are presented in British pounds (£), which is also the functional currency of the ultimate parent company.

The consolidated interim financial information was approved by the Board of Directors on 7 December 2022.

The financial information set out in this interim report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The figures for the year ended 30 April 2022 have been extracted from the statutory financial statements of SDI Group plc which have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The financial information for the six months ended 31 October 2022 and for the six months ended 31 October 2021 has not been audited.

2 Principal Accounting Policies

The principal accounting policies adopted in the preparation of the condensed consolidated interim information are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 April 2022.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

Alternative Performance Measures

3

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:

	6 months to 31 October 2022 Unaudited £'000	6 months to 31 October 2021 Unaudited £'000	12 months to 30 April 2022 Audited £'000
Operating Profit (as reported)	5,623	5,207	10,179
Adjusting items (all costs):			
Non-underlying items			
Share based payments	140	159	313
Amortisation of acquired intangible assets	823	465	1,115
Exceptional items			
Reorganisation costs	–	–	125
Acquisition costs	267	–	341
Total adjusting items within Operating Profit	1,230	624	1,894
Adjusted Operating Profit	6,853	5,831	12,073

Adjusted Profit Before Tax is defined as follows:

	6 months to 31 October 2022 Unaudited £'000	6 months to 31 October 2021 Unaudited £'000	12 months to 30 April 2022 Audited £'000
Profit Before Tax (as reported)	5,305	5,102	9,884
Adjusting items (as above)	1,230	624	1,894
Adjusted Profit Before Tax	6,535	5,726	11,778

Notes to the Interim Financial Statements continued

3 Alternative Performance Measures continued

Adjusted EPS is defined as follows:

	6 months to 31 October 2022 Unaudited £'000	6 months to 31 October 2021 Unaudited £'000	12 months to 30 April 2022 Audited £'000
Profit for the Period (as reported)	4,244	3,576	7,543
Adjusting items (as above)	1,230	624	1,894
Less: taxation on adjusting items calculated at the UK statutory rate	(234)	(119)	(360)
Adjusted profit for the period	5,240	4,081	9,077
Divided by diluted weighted average number of shares in issue (Note 5)	104,411,856	104,138,768	104,259,085
Adjusted Diluted EPS	5.02p	3.92p	8.71p

Net Operating Assets is defined as follows:

	31 October 2022 Unaudited £'000	31 October 2021 Unaudited £'000	30 April 2022 Audited £'000
Net Assets	40,656	30,922	35,792
Deferred tax asset	1,547	1,660	1,586
Corporation tax asset	569	486	137
Cash and cash equivalents	3,619	3,513	5,106
Borrowings (current and non-current)	(26,106)	(4,834)	(11,435)
Deferred consideration	(2,460)	–	(3,305)
Deferred tax liability	(5,795)	(2,993)	(4,417)
Current tax payable	(1,889)	(1,165)	(1,027)
Total adjusting items within Net Assets	(30,515)	(3,333)	(13,355)
Net Operating Assets	71,171	34,255	49,147

Segmental Analysis

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	6 months to 31 October 2022 Unaudited £'000	6 months to 31 October 2021 Unaudited £'000	12 months to 30 April 2022 Audited £'000
Revenues			
Digital Imaging	12,529	11,373	21,492
Sensors & Control	19,191	13,292	28,164
Group	31,720	24,665	49,656
Adjusted operating profit			
Digital Imaging	4,692	4,253	8,502
Sensors & Control	2,914	2,505	5,188
Other	(753)	(927)	(1,617)
Group	6,853	5,831	12,073
Amortisation of acquired intangible assets			
Digital Imaging	(92)	(92)	(175)
Sensors & Control	(735)	(377)	(940)
Group	(827)	(469)	(1,115)

Adjusted Operating Profit has been defined in Note 3.

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.

Notes to the Interim Financial Statements continued

4 Segmental Analysis continued

	31 October 2022 Unaudited £'000	31 October 2021 Unaudited £'000	30 April 2022 Audited £'000
Operating Assets excluding acquired intangible assets			
Digital Imaging	8,191	9,612	7,501
Sensors & Control	29,868	9,757	19,045
Other	676	(257)	247
Group	38,735	19,112	26,793
Acquired intangible assets			
Digital Imaging	4,932	5,107	5,019
Sensors & Control	41,675	19,978	30,282
Group	46,607	25,085	35,301
Operating Liabilities			
Digital Imaging	(3,133)	(4,650)	(4,905)
Sensors & Control	(10,383)	(4,192)	(7,075)
Other	(655)	(1,101)	(968)
Group	(14,171)	(9,943)	(12,948)
Net Operating Assets			
Digital Imaging	9,989	10,069	7,616
Sensors & Control	61,161	25,543	42,251
Other	21	(1,357)	(720)
Group	71,171	34,255	49,147

Net operating assets has been defined in Note 3.

Earnings Per Share

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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:			
– Period ended 31 October 2022	4,244	102,215,980	4.15
– Period ended 31 October 2021	3,576	99,120,392	3.61
– Year ended 30 April 2022	7,543	100,122,394	7.53
Dilutive effect of share options:			
– Period ended 31 October 2022		2,195,876	
– Period ended 31 October 2021		5,018,376	
– Year ended 30 April 2022		4,136,692	
Diluted earnings per share:			
– Period ended 31 October 2022	4,244	104,411,856	4.06
– Period ended 31 October 2021	3,576	104,138,768	3.43
– Year ended 30 April 2022	7,543	104,259,085	7.23

Notes to the Interim Financial Statements continued

6 Borrowings

	31 October 2022 £'000	31 October 2021 £'000	30 April 2022 £'000
Within one year:			
Bank finance	–	1,371	–
Leases	803	498	779
	803	1,869	779
After one year and within five years:			
Bank finance	19,000	1,029	4,000
Leases	5,476	1,065	6,656
	24,476	2,094	10,656
After more than five years:			
Leases	827	871	–
Total borrowings	26,106	4,834	11,435

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. On 1 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 a 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. At 31 October 2022, the Group had £1m of headroom within its £20m committed loan facility with HSBC. On 30 November 2022, the Group reached agreement with HSBC to exercise £5m of the accordion option, which increased the committed loan facility from £20m to £25m, hence increasing the available head room to £6m. The balance of the accordion option (£5m) remains available to the Group (at the discretion of HSBC) for future exercise.

Acquisitions

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On 29 July 2022, the Group acquired 100% of the share capital of LTE Scientific Systems Limited ("LTE"), for a total consideration of £5.5m, which included freehold ownership of its manufacturing facility, valued at approximately £1.7m. LTE specialises in the design, manufacture and servicing of sterilizers, decontamination and thermal processing equipment, used in the life science and medical market sectors. For the year ended 31 December 2021, LTE achieved revenues of £6.4m and profit before tax of £0.4m. The acquisition is expected to be earnings enhancing in the current financial year.

On 21 October 2022, the Group acquired 100% of the share capital of Fraser Anti-Static Techniques Limited ("Fraser"), for a total consideration of £16.9m, of which £15.4m was paid before the period end and £1.5m is due to be paid over the second half of the financial year. Approximately £1.0m of the deferred consideration is based on net assets delivered at completion. The total consideration includes freehold ownership of three of Fraser's manufacturing sites, valued at approximately £1.8m. Fraser is a leading UK manufacturer of anti-static products which eliminate, clean, generate or measure static electricity in a variety of industries including plastics, packaging, printing, food processing, medical and pharma amongst others. For the year ended 30 November 2021, Fraser achieved revenues of £7.4m and profit before tax of £1.9m. The acquisition is expected to be earnings enhancing in the current financial year.

During the previous financial year, the Group completed the acquisition of Safelab Systems for which contingent consideration of £2.4m was outstanding at 30 April 2022. This amount was settled in cash in the current period.

Taxation

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The Group has estimated an effective tax rate of 20% for the year and has applied this rate to the profit before tax for the period. A gain of £117k (H1 FY22: £295k) resulting from changes to the estimate of future tax relief from share option exercises, including the estimated effect of changes in the tax rate, has been booked directly to equity.



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