



SDI Group plc
Interim Report **2023**

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 its results for the six months to 31 October 2023.

Contents

Strategic Report

- 01 Highlights
- 02 Chairman's Statement
- 06 Group Overview

Financial Statements

- 10 Consolidated Income Statement
- 11 Statement of Comprehensive Income
- 12 Consolidated Balance Sheet
- 13 Consolidated Statement of Cash Flows
- 14 Consolidated Statement of Changes in Equity
- 16 Notes to the Interim Financial Statements

Highlights

- **Revenue increased by 1.6%** to £32.2m (H1 FY23: £31.7m)
- **Organic revenue growth of 2.2%** excluding £6.4m COVID related sales in H1 FY23. 20% revenue growth from acquisitions
- **Adjusted operating profit* for the period decreased to £4.4m** (H1 FY23: £6.9m)
 - Reported operating profit decreased to £3.4m (H1 FY23: £5.6m)
- **Adjusted profit before tax* decreased to £3.7m** (H1 FY23: £6.5m)
 - Reported profit before tax decreased to £2.7m (H1 FY23: £5.3m)
- **Adjusted diluted EPS* decreased to 2.68p** (H1 FY23: 5.02p)
 - Reported diluted EPS decreased to 1.89p (H1 FY23: 4.06p)
- **Cash generated by operations increased to £3.3m** (H1 FY23: £1.9m)
- **Net debt (debt less cash) of £13.2m at 31 Oct 23** (30 Apr 23: £13.3m, 31 Oct 22: £15.4m). Facility headroom of £10.25m + £5m accordion
- **New acquisition added to the Group post period end – Peak Sensors**

A copy of the shareholder presentation regarding the financial results will be made available on the Company's website www.sdigroup.com/investors/reports-presentations/ later today.

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

Chairman's Statement

Interim results for the six months ended 31 October 2023

"In the first half of the financial year revenues increased to £32.2 million (H1 FY23: £31.7m), despite the expiry of the very large profitable COVID contracts for cameras. Cash generated by operations was £3.3m (H1 FY23: £1.9m). Profits have been affected by some destocking, some of which is likely to be temporary, alongside a slowdown in China and Germany. We now expect to report FY24 adjusted profit before tax of between £7.9m and £8.4m.

For over ten years SDI has consistently grown value by focusing on a clear and straightforward strategy. We acquire private companies at a significant discount to those on the quoted markets. These subsidiaries are then encouraged to grow for the benefit of all stakeholders. I am pleased to report that we have a number of new acquisition opportunities under review. So, despite the recent headwinds we look forward to the future with great confidence."

Ken Ford Chairman

Whilst the pandemic has ended, the changes in customer behaviour the pandemic caused have continued into this financial year. The COVID years saw over-ordering of products, partly driven by and also leading to component shortages throughout the supply chain. SDI has both benefitted and suffered from these customer behaviours over the last three years, however, this over-ordering has now led to some OEM's de-stocking as they rebalance to a more normalised economic environment. This has impacted upon a small number of our businesses, but we consider this a short-term phenomenon. The strength of our business model, with a number of smaller niche autonomous businesses operating in a multitude of markets, gives us the ability to respond quickly to such market movements. We will continue to control our costs carefully as we manage through this stage of the economic cycle.

We acquired Peak Sensors after the period end on 3 November 2023. Peak is a UK manufacturer of temperature sensors, specialising in standard and bespoke thermocouples and resistance thermometers. With over 25 years of experience, Peak serves various industries, including glass, ceramic, incinerators (including energy from waste), cement, and ovens. Peak exports to more than 85 countries in 6 continents, with approximately 17% overseas sales.

Peak fits perfectly within our acquisition criteria and has joined our Sensors and Control segment. It will be operated separately from our existing businesses. We warmly welcome our new colleagues to the SDI Group.

Board

We are pleased to welcome Stephen Brown to the Board. Stephen joined SDI as Chief Operating Officer at the end of September. His skills and experience, at AB Dynamics, BP, Rolls Royce and high growth companies will be invaluable to SDI. Alongside the addition of Louise Early and Andrew Hosty over FY23, the Board has a strong blend of skills and experience to guide the Group as we continue to grow through our buy and build strategy.

Trading and operations

The Group's trading has been mixed over the first half of FY24. Applied Thermal Control have continued to see good demand in the chiller product market. Astles Control Systems delivered a number of chemical dosing equipment contracts and LTE Scientific ('LTE') continued to execute on a large environmental test chambers contract. Scientific Vacuum Systems ('SVS') has just received a £2.3m order from a different OEM customer for two high tech pieces of equipment for design and delivery over the next 18 month. As expected at the time of its acquisition, SVS is proving to be a 'lumpy' order (and revenues) business. As a result of the events in Ukraine, its major OEM customer has had to re-schedule it's planned order profile, leading to a delay in placement of its next order for its next sputtering machine. Their pipeline remains strong but timing of order placement can be variable.

Monmouth has seen an increase in enquiries and orders for clean rooms. Safelab continues to see a good market for fume cupboards and Synoptics is progressing well with its colony counter product brand, Synbiosis. However, a number of OEMs in the life and bio sciences sector are finding the trading environment tough, leading to short-term de-stocking. This is particularly the case in the gel-doc market and this has significantly impacted

upon Atik Cameras and, to a much lesser degree, Synoptics. Fraser Anti-Static Techniques ('FAST') has seen a slowdown in some of its geographic markets which has had a slight impact on the business.

The SDI businesses that focus on the laboratory products market have increased collaboration over the period with increased contact between the different management teams. The businesses are actively seeking and finding areas of co-operation to reduce costs and enhance their total customer offer. A number of SDI laboratory products businesses attended the UK Lab Innovations trade show (some businesses for the first time) and a number are planning to have a single stall at the 2024 fair. Anecdotally, footfall is now increasing across these types of events and trade shows do provide a good source for sales leads. We do sometimes travel further afield for trade fairs, with Atik Cameras having attended Analytica China this year.

Marketing teams from across the Group met again recently to share best practice; subject matter included digital marketing. It is expected that this forum will continue to meet. SDI management attended a Group conference in November 2023 to discuss our strategic plans. This provided a valuable forum for networking and sharing business knowledge and opportunities.

We continue to invest. Safelab Systems implemented a new ERP system over the last six months, going live in October 2023. This new system should provide a platform for the business to grow. SDI Group is implementing a new financial consolidation system, which will aid efficiency when consolidating the Group's financial results and provide scalability as we add new businesses.

Chairman's Statement continued

Revenues

Group revenues increased by 1.6% to £32.2m (H1 FY23: £31.7m). The increase was driven by 20% acquisition growth compared to the first half of FY23, with both LTE and FAST, who delivered in total £6.3m in non-organic sales (until the anniversary of the acquisition). Both LTE and FAST are currently trading ahead of expectations, and we are pleased with their progress.

Organic revenue growth across the business was 2.2% after excluding the comparative £6.4m H1 FY23 COVID related revenues. On a reported basis, there was an organic decline of 18.4%.

Sales in Sensors & Control were 40% higher at £26.8m (H1 FY23: £19.2m), with organic growth of 6.7%. On a reported basis, sales in our Digital Imaging segment reduced by 57% to £5.4m (H1 FY23: £12.5m). The Digital Imaging segment sales reduced by 12.1%** (H1 FY24 vs H1 FY23) as a result of the destocking noted above.

The previous financial year was characterised by component shortages and these have eased considerably. This helped Astles Control Systems deliver more chemical dosing equipment sales in comparison to the first half of last year. Applied Thermal Control had a good trading period with the demand for scientific and industrial cooling systems continuing to be strong. SVS had a strong first half as they shipped a sputtering machine to a large OEM customer. Monmouth Scientific has a strong order book and a good sales pipeline but has experienced operational delays in delivering product to its customers. This should ease over the second half.

As noted earlier, Atik Cameras' major gel-doc OEM customer has de-stocked significantly over the first half of FY24. This has meant Atik's revenues have fallen short of expectations. Encouragingly, Atik recently received an 18-month order from this customer which will underpin future demand but this will not recover lost first half revenues. Notably, Atik received its first order for ChemiMos cameras over the period.

Profits

Gross margins held up well in the first half of FY24 at 63%, flat compared to the comparative period. Overheads were higher than the comparative period mainly due to acquisitions. Excluding this, wages/overhead growth was modest.

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 £1.0m (H1 FY23: £1.2m).

Adjusted Group profit before tax decreased to £3.7m (H1 FY23: £6.5m) as a result of the end of the COVID related contract in FY23. Statutory Group profit before tax decreased to £2.7m (H1 FY23: £5.3m).

Our effective tax rate has increased to 24.9% (on statutory PBT) (H1 FY23: 20%) with the growth coming from an increased corporation tax rate.

Basic earnings per share reduced to 1.92p (H1 FY23: 4.15p); diluted earnings per share decreased to 1.89p (H1 FY23: 4.06p). Adjusted diluted earnings per share reduced to 2.68p (H1 FY23: 5.02p).

**excluding £6.4m COVID related revenues in H1 FY23, to aid comparability.

Cash Flow

Cash generated from operations increased to £3.3m (H1 FY23: £1.9m). Working capital increased by £2.3m over the period due to a £2.7m reduction in customer advances, £1.4m of which was due to SVS shipping equipment in October. Astles Control Systems saw its customer advances reduce by £0.6m as it delivered chemical dosing equipment and LTE reduced by £0.5m as it worked on an environmental test chambers project for a major OEM.

£1.0m in deferred consideration relating to the acquisition of Scientific Vacuum Systems Limited will be paid in the second half of the year.

Net debt, or bank debt less cash, was £13.2m at 31 October 2023 compared to £13.3m at 30 April 2023 and £15.4m at 31 October 2022. This represents a net debt: EBITDA ratio of 1.1x (rolling last 12 months calculation basis). At 31 October 2023, the Group had £10.25m of headroom within its £25m committed loan facility with HSBC. A £5m accordion option remains available to the Group (at the discretion of HSBC) for future exercise.

The Group has sufficient access to funds, alongside its cash flow, to acquire new companies and invest in our current portfolio of businesses.

Acquisitions

On 3 November 2023, the Group acquired 100% of the share capital of Peak Sensors (Holding) Limited for a total consideration of c.£2.6m. On the date of the acquisition, the Peak Sensors group of companies had an improved cash in hand position of c.£0.2m. Peak Sensors Limited, the only trading entity in the acquired group, operates from a single site in Chesterfield and has 14 employees.

Outlook

In the first half of the financial year revenues increased to £32.2m (H1 FY23: £31.7m), despite the expiry of the very large profitable COVID contracts for cameras. Cash generated by operations was £3.3m (H1 FY23: £1.9m). Profits have been affected by some destocking, some of which is likely to be temporary, alongside a slowdown in China and Germany. We now expect to report FY24 adjusted profit before tax of between £7.9m and £8.4m.

For over ten years SDI has consistently grown value by focusing on a clear and straightforward strategy. We acquire private companies at a significant discount to those on the quoted markets. These subsidiaries are then encouraged to grow for the benefit of all stakeholders. I am pleased to report that we have a number of new acquisition opportunities under review. So, despite the recent headwinds we look forward to the future with great confidence.

Ken Ford
Chairman
7 December 2023

Group Overview

Digital Imaging



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 a bonus of 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.

● Sygene

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. These systems can be used for detection of COVID-19 cDNA generated by PCR.

● 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.

Sensors & Control



APPLIED THERMAL CONTROL

Applied Thermal Control (ATC) is based in Coalville and was acquired in August 2017. Thermal Exchange was acquired in February 2019 and merged with ATC in December 2019. ATC designs, manufactures, and supplies 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.



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 was a major contributor to the manufacture of ventilators for the UK at the outbreak of COVID-19.



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.

Group Overview continued



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 and to Safelab Systems, fellow-subsiaries of SDI Group. Uniform was acquired in January 2021.



MONMOUTH SCIENTIFIC

Monmouth Scientific (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. Located in Bridgwater, Somerset. Monmouth was acquired by SDI in December 2020.



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.



LTE SCIENTIFIC

LTE specialises in the design and manufacture of sterilizers, decontamination and thermal processing equipment, used in the life science and medical market sectors. A leading UK manufacturer of autoclave sterilizers, which sterilize objects at high temperatures. These are used in laboratories and hospitals.

Other manufactured products include environmental rooms and chambers, endoscope storage cabinets, laboratory ovens, incubators and drying cabinets. LTE is located in Greenfield, Greater Manchester.



FRASER ANTI-STATIC TECHNIQUES

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. Fraser's products fall into two technology categories: advanced 24V DC technology products and conventional AC static eliminators.

The business has sites in Bampton, Devon and Bristol as well as sales offices in Shanghai, China and Dresden, Germany. Fraser was acquired by SDI in October 2022.



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.

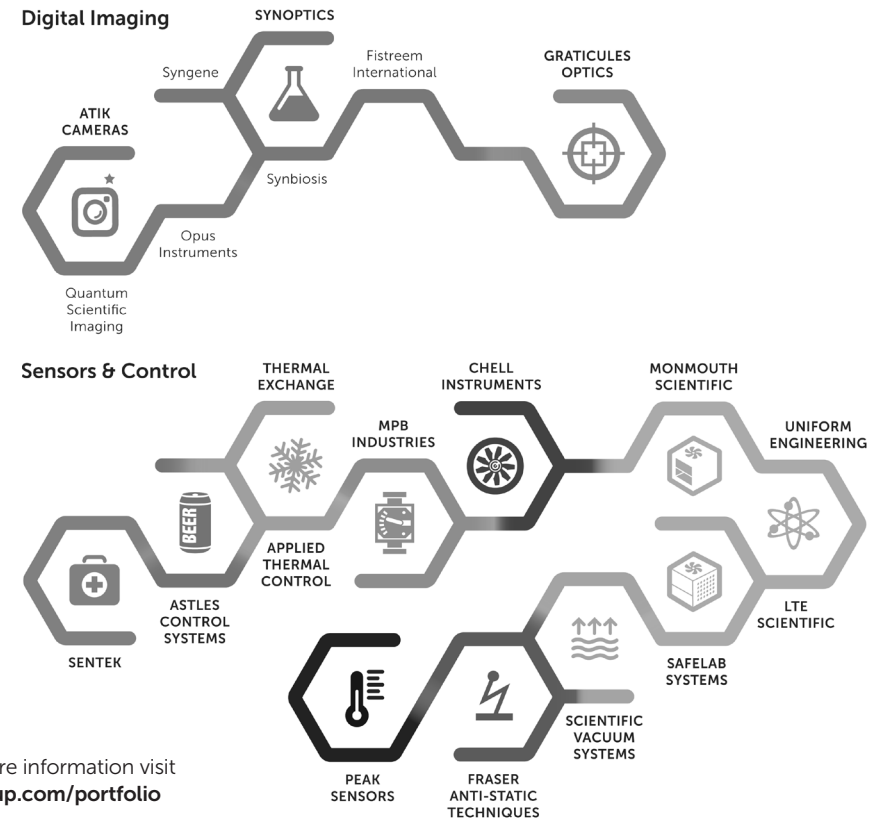


PEAK SENSORS

Acquired November 2023

Peak Sensors is a leading UK manufacturer of temperature sensors, specialising in standard and bespoke thermocouples and resistance thermometers which are used in various industries, including glass, ceramic, incinerators (including energy from waste), cement, and ovens.

Peak is based in Chesterfield, Derbyshire, with a 5,300sq. ft leasehold facility, and has 14 employees.



For more information visit
sdigroup.com/portfolio

Consolidated Income Statement

Unaudited for the six months ended 31 October 2023

	Note	6 months to 31 October 2023 Unaudited £'000	6 months to 31 October 2022 Unaudited £'000	12 months to 30 April 2023 Audited £'000
Revenue		32,215	31,720	67,577
Costs of sales		(11,908)	(11,764)	(24,810)
Gross Profit		20,307	19,956	42,767
Other operating income		59	50	112
Exceptional items – Goodwill impairment		–	–	(3,520)
Other operating expenses		(16,957)	(14,383)	(32,547)
Operating expenses		(16,957)	(14,383)	(36,067)
Operating profit		3,409	5,623	6,812
Net financing expense		(754)	(318)	(970)
Profit before taxation		2,655	5,305	5,842
Income tax charge	7	(662)	(1,061)	(1,939)
Profit for the period		1,993	4,244	3,903
Attributable to:				
Equity holders of the parent company		1,978	4,244	3,871
Non-controlling interest		15	–	32
Profit for the period		1,993	4,244	3,903
Earnings per share	5			
Basic earnings per share		1.92p	4.15p	3.80p
Diluted earnings per share		1.89p	4.06p	3.72p

Consolidated Statement of Comprehensive Income

Unaudited for the six months ended 31 October 2023

	6 months to 31 October 2023 Unaudited £'000	6 months to 31 October 2022 Unaudited £'000	12 months to 30 April 2023 Audited £'000
Profit for the period	1,993	4,244	3,903
Other comprehensive income			
Items that will not subsequently be reclassified to profit and loss:			
Remeasurement of net defined benefit liability	–	–	95
Items that will subsequently be reclassified to profit and loss:			
Exchange differences on translating foreign operations	(4)	170	142
Total comprehensive profit for the period	1,989	4,414	4,140
Attributable to:			
Equity holders of the parent company	1,974	4,414	4,108
Non-controlling interest	15	–	32
Total comprehensive profit for the period	1,989	4,414	4,140

Consolidated Balance Sheet

Unaudited at 31 October 2023

	Note	6 months to 31 October 2023 Unaudited £'000	6 months to 31 October 2022 Unaudited £'000	12 months to 30 April 2023 Audited £'000
Assets				
Non-current assets				
Intangible assets		40,584	47,264	41,350
Property, plant and equipment		14,630	15,015	14,688
Investments		24	–	24
Deferred tax asset	7	705	1,547	734
		55,943	63,826	56,796
Current assets				
Inventories		11,937	12,066	13,504
Trade and other receivables		10,086	11,566	11,980
Corporation tax asset		495	–	–
Cash and cash equivalents		1,546	3,619	2,711
		24,064	27,251	28,195
Total assets		80,007	91,077	84,991
Liabilities				
Non-current liabilities				
Borrowings	6	14,750	19,000	16,000
Lease liabilities	6	5,989	6,304	5,996
Deferred tax liability	7	5,162	5,795	5,336
		25,901	31,099	27,332
Current liabilities				
Trade and other payables		9,768	16,543	15,444
Provisions		77	88	67
Lease liabilities	6	780	802	745
Current tax payable		–	1,889	111
		10,625	19,322	16,367
Total liabilities		36,526	50,421	43,699
Net assets		43,481	40,656	41,292
Equity				
Share capital		1,041	1,027	1,041
Merger reserve		2,606	2,606	2,606
Merger relief reserve		424	424	424
Share premium account		10,778	10,093	10,778
Share-based payment reserve		757	656	557
Foreign exchange reserve		177	209	181
Retained earnings		27,651	25,641	25,673
Total equity due to shareholders		43,434	40,656	41,260
Non-controlling interest		47	–	32
Net assets		43,481	40,656	41,292

Consolidated Statement of Cash Flows

Unaudited for the six months ended 31 October 2023

	Note	6 months to 31 October 2023 Unaudited £'000	6 months to 31 October 2022 Unaudited £'000	12 months to 30 April 2023 Audited £'000
Operating activities				
Net profit for the period		1,993	4,244	3,903
Depreciation and amortisation		2,005	2,010	4,256
Finance costs and income		754	318	970
Impairment of intangibles		–	–	3,520
Changes in provisions		10	(75)	(96)
Taxation expense in the income statement		662	1,061	1,939
Employee share-based payments		200	140	351
Operating cash flow before movement in working capital		5,624	7,698	14,843
Changes in inventories		1,567	(1,906)	(2,929)
Changes in trade and other receivables		1,894	(1,070)	2,689
Changes in trade and other payables		(5,770)	(2,847)	(3,730)
Cash generated from operations		3,315	1,875	10,873
Interest paid		(754)	(318)	(970)
Income taxes paid		(1,413)	(691)	(2,161)
Cash generated from operating activities		1,148	866	7,742
Cash flows from investing activities				
Capital expenditure on fixed assets		(556)	(443)	(1,085)
Sale of property plant and equipment		20	10	84
Expenditure on development and other intangibles		(232)	(183)	(323)
Acquisition of subsidiaries, net of cash		–	(16,523)	(21,056)
Net cash used in investing activities		(768)	(17,139)	(22,380)
Cash flows from financing activities				
Payments of lease liabilities		(384)	(386)	(789)
Proceeds from bank borrowings		–	15,000	15,000
Repayment of borrowings		(1,250)	–	(3,000)
Issues of shares & proceeds from option exercises		–	–	892
Net cash (used in)/from financing activities		(1,634)	14,614	12,103
Net decrease in cash and cash equivalents		(1,254)	(1,659)	(2,535)
Cash and cash equivalents, beginning of period		2,711	5,106	5,106
Foreign currency movements on cash balances		89	172	140
Cash and cash equivalents, end of period		1,546	3,619	2,711

Consolidated Statement of Changes in Equity

Unaudited for the six months ended 31 October 2023

6 months to 31 October 2023 – 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	Non-controlling interest £'000	Total £'000
Balance at 1 May 2023	1,041	2,606	424	181	10,778	557	25,673	32	41,292
Shares issued	–	–	–	–	–	–	–	–	–
Tax in respect to share options	–	–	–	–	–	–	–	–	–
Share based payments transfer	–	–	–	–	–	–	–	–	–
Share based payments	–	–	–	–	–	200	–	–	200
Transactions with owners	–	–	–	–	–	200	–	–	200
Profit for the period	–	–	–	–	–	–	1,978	15	1,993
Foreign exchange on consolidation of subsidiaries	–	–	–	(4)	–	–	–	–	(4)
Total comprehensive income for the period	–	–	–	(4)	–	–	1,978	15	1,989
Balance at 31 October 2023	1,041	2,606	424	177	10,778	757	27,651	47	43,481

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	Non-controlling interest £'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

12 months to 30 April 2023 – 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	Non-controlling interest £'000	Total £'000
Balance at 30 April 2022	1,022	2,606	424	39	9,905	320	21,476	–	35,792
Shares issued	19	–	–	–	873	–	–	–	892
Tax in respect to share options	–	–	–	–	–	–	117	–	117
Share based payments transfer	–	–	–	–	–	(114)	114	–	–
Share based payments	–	–	–	–	–	351	–	–	351
Transactions with owners	19	–	–	–	873	237	231	–	1,360
Profit for the year	–	–	–	–	–	–	3,871	32	3,903
Actuarial gain on defined benefit pension	–	–	–	–	–	–	95	–	95
Foreign exchange on consolidation of subsidiaries	–	–	–	142	–	–	–	–	142
Total comprehensive income	–	–	–	142	–	–	3,966	32	4,140
Balance at 30 April 2023	1,041	2,606	424	181	10,778	557	25,673	32	41,292

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 2023 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 2023. 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 2023.

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 2023 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 2023 and for the six months ended 31 October 2022 has not been audited or reviewed by the auditors pursuant to the Financial Reporting Council's relevant guidance.

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 2023.

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

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:

	6 months to 31 October 2023 Unaudited £'000	6 months to 31 October 2022 Unaudited £'000	12 months to 30 April 2023 Audited £'000
Operating Profit (as reported)	3,409	5,623	6,812
Adjusting items (all costs):			
Non-underlying items			
Share-based payments	200	140	351
Amortisation of acquired intangible assets	758	823	1,795
Exceptional items			
Impairment of intangibles	–	–	3,520
Acquisition costs	62	267	331
Total adjusting items within Operating Profit	1,020	1,230	5,997
Adjusted Operating Profit	4,429	6,853	12,809

Adjusted Profit Before Tax is defined as follows:

	6 months to 31 October 2023 Unaudited £'000	6 months to 31 October 2022 Unaudited £'000	12 months to 30 April 2023 Audited £'000
Profit Before Tax (as reported)	2,655	5,305	5,842
Adjusting items (as above)	1,020	1,230	5,997
Adjusted Profit Before Tax	3,675	6,535	11,839

Notes to the Interim Financial Statements continued**3 Alternative Performance Measures** continued

Adjusted EPS is defined as follows:

	6 months to 31 October 2023 Unaudited £'000	6 months to 31 October 2022 Unaudited £'000	12 months to 30 April 2023 Audited £'000
Profit for the Period (as reported)	1,993	4,244	3,903
Adjusting items (as above)	1,020	1,230	5,918*
Less: taxation on adjusting items calculated at the UK statutory rate	(190)	(234)	(369)
Adjusted profit for the period	2,823	5,240	9,452
Divided by diluted weighted average number of shares in issue (Note 6)	105,242,068	104,411,856	104,799,252
Adjusted Diluted EPS	2.68p	5.02p	9.02p

*impairment of intangible assets is net of tax

Net Operating Assets is defined as follows:

	31 October 2023 Unaudited £'000	31 October 2022 Unaudited £'000	30 April 2023 Audited £'000
Net Assets	43,481	40,656	41,292
Deferred tax asset	(705)	(1,547)	(734)
Corporation tax asset	(495)	(569)	–
Cash and cash equivalents	(1,546)	(3,619)	(2,711)
Borrowings (current and non-current)	21,519	26,106	22,741
Deferred consideration	961	2,460	961
Deferred tax liability	5,162	5,795	5,336
Current tax payable	–	1,889	111
Total adjusting items within Net Assets	24,896	30,515	25,704
Net Operating Assets	68,377	71,171	66,996

Segmental Analysis

4

	6 months to 31 October 2023 Unaudited £'000	6 months to 31 October 2022 Unaudited £'000	12 months to 30 April 2023 Audited £'000
Revenues			
Digital Imaging	5,405	12,529	20,870
Sensors & Control	26,810	19,191	46,707
Group	32,215	31,720	67,577
Adjusted operating profit			
Digital Imaging	645	4,692	6,873
Sensors & Control	4,780	2,914	8,045
Other	(996)	(753)	(2,109)
Group	4,429	6,853	12,809
Amortisation of acquired intangible assets			
Digital Imaging	(92)	(92)	(175)
Sensors & Control	(666)	(735)	(1,620)
Group	(758)	(827)	(1,795)

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 2023 Unaudited £'000	31 October 2022 Unaudited £'000	30 April 2023 Audited £'000
Operating Assets excluding acquired intangible assets			
Digital Imaging	7,452	8,191	7,585
Sensors & Control	28,875	29,868	32,155
Other	1,013	676	1,075
Group	37,340	38,735	40,815
Acquired intangible assets			
Digital Imaging	4,759	4,932	4,844
Sensors & Control	35,141	41,675	35,888
Group	39,900	46,607	40,732
Operating Liabilities			
Digital Imaging	(1,298)	(3,133)	(1,489)
Sensors & Control	(7,062)	(10,383)	(11,024)
Other	(503)	(655)	(2,038)
Group	(8,863)	(14,171)	(14,551)
Net Operating Assets			
Digital Imaging	10,913	9,990	10,940
Sensors & Control	56,954	61,160	57,019
Other	510	21	(963)
Group	68,377	71,171	66,996

Net operating assets has been defined in Note 3.

Earnings Per Share

5

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 for the period £'000	Weighted average number of shares	Earnings per share amount in pence
Basic earnings per share:			
– Period ended 31 October 2023	1,993	104,050,044	1.92
– Period ended 31 October 2022	4,244	102,215,980	4.15
– Year ended 30 April 2023	3,903	102,761,812	3.80
Dilutive effect of share options:			
– Period ended 31 October 2023	–	1,192,024	–
– Period ended 31 October 2022	–	2,195,876	–
– Year ended 30 April 2023	–	2,037,440	–
Diluted earnings per share:			
– Period ended 31 October 2023	1,993	105,242,068	1.89
– Period ended 31 October 2022	4,244	104,411,856	4.06
– Year ended 30 April 2023	3,903	104,799,252	3.72

Notes to the Interim Financial Statements continued**6 Borrowings**

	31 October 2023 Unaudited £'000	31 October 2022 Unaudited £'000	*Restated 30 April 2023 Audited £'000
Within one year:			
Leases	780	802	745
	780	802	745
After one year and within five years:			
Bank finance	14,750	19,000	16,000
Leases	5,208	5,476	5,215
	19,958	24,476	21,215
After more than five years:			
Leases	781	828	781
Total borrowings	21,519	26,106	22,741

*see note 9

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 an accordion option of an additional £10m and with a termination date of 1 November 2024 extendable for two further years. 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. The balance of the accordion option (£5m) remains available to the Group (at the discretion of HSBC) for future exercise. On 29 March 2023 the termination date was extended by a further year to 1 November 2025. This is extendable by another year at HSBC's discretion. The revolving facility is available for general use. The facility has covenants relating to leverage (net debt to EBITDA) and interest cover.

Taxation

The Group has estimated an effective tax rate of 24.9% (H1 FY23: 20%) for the year and has applied this rate to the profit before tax for the period.

Post Balance Sheet Events

On 3 November 2023 the Group completed the acquisition of Peak Sensors for an initial consideration of c.£1.6m in cash plus further expected payments up to c.£1.0m depending on net assets delivered at completion. Peak Sensors comprises three companies: Peak Sensors (Holding) Limited and two wholly owned subsidiaries, Peak Sensors Limited and Peak Sensors (Property) Limited. Peak Sensors Limited is the main trading company employing all members of staff.

Peak Sensors is a leading UK manufacturer of temperature sensors, specialising in standard and bespoke thermocouples and resistance thermometers which are used in various industries, including glass, ceramic, incinerators (including energy from waste), cement, and ovens. For the year ended 31 March 2023, Peak Sensors achieved revenues of approximately £2.1m, EBIT of c.£0.3m, and the Peak group's statutory profit before tax was c.£0.4m (consolidated, unaudited).

The acquisition is expected to be earnings enhancing in the first full year of ownership.

Prior Year Restatement

The amounts owed after more than five years and after one year and within five years were updated to include the correct split. As a result of this correction, the amounts owed after more than five years has increased by £781,000 to £781,000 and the amounts owed after one year and within five years has decreased by £781,000 to £5,215,000. The correction had no impact on the presentation of current and non-current liabilities as per the Statement of Financial Position.



SDI Group plc

Beacon House
Nuffield Road
Cambridge CB4 1TF

T +44 (0)1223 727144

F +44 (0)1223 727101

E info@sdigroup.com

